UNIVERSITY OF ILLINOIS
LIBRARY

Class 336.2 Book N4842r Volume Cop. 2

F 11-20M

WITHDRAWN
University of Illinois Library
at Urbana-Champaign
ECONOMICS
DEPARTMENT

University
Illinois Library
at Urbana-Champaign

Digitized by the Internet Archive
in 2026

https://archive.org/details/reportofjointcom0000vari_v7j9

# REPORT OF JOINT COMMITTEE

OF THE

573
5 rep

# SENATE AND ASSEMBLY

RELATIVE TO

# TAXATION

FOR

# STATE AND LOCAL PURPOSES.

---

TRANSMITTED TO THE LEGISLATURE MARCH 17, 1893.

---

ALBANY:
JAMES B. LYON, STATE PRINTER.
1893.

336.3
N4842n
Cop. 3

N.Y. Legislature

# STATE OF NEW YORK.

No. 69.

# IN ASSEMBLY,

MARCH 17, 1893.

## REPORT

OF THE

JOINT COMMITTEE OF THE SENATE AND ASSEMBLY RELATIVE TO THE EXAMINATION OF THE SUBJECT OF TAXATION BOTH FOR STATE AND LOCAL PURPOSES, APPOINTED IN 1892, PURSUANT TO A JOINT RESOLUTION.

*To the Legislature of the State of New York:*

The Joint Committee of the Senate and Assembly "for the purpose of examining into the subject of taxation both for State and local purposes," appointed from those bodies in 1892, pursuant to a joint resolution, presents this its final report:

Following the extension granted by the joint resolution of 1893, under a resolution which accompanied its preliminary report, and which was duly adopted, Mr. Malby and Mr. Ainsworth were appointed by the Speaker of the Assembly to act in place of Mr. Stranahan and Mr. Gifford, respectively thereon, and Mr. Byrnes was subsequently similarly added in place of

8 Jeff BINDING, 72
30 Reg 3 L M A
Commerce, 7 Mr. Werner 300
186870

Mr. Quigley, who resigned by reason of his engagements as chairman of the committee on ways and means.

Your committee continued its investigation of the subjects assigned for their consideration, and report, and the examination of witnesses, and the testimony taken before them is embraced in 916 pages of evidence which is submitted with the report.

The witnesses so appearing represented, and were selected for their study and knowledge of the wants, complaints and opinions of the various sections, employments and industries of the State affected by the important questions of taxation and interest, and included many of the best informed public officials and representative officers of the associations formed for the advancement of the welfare of the agricultural communities.

Your committee is pleased to be able to add that the conclusions at which they have arrived, the recommendations which they make and the bills which they offer to accompany this report are unanimously sustained by its members, and that they have deemed it most wise and expeditious, where any difference in views existed amongst them upon topics properly embraced within the subjects before them, to relieve the discussion of this report from all embarrassment through their presentation.

By the terms of the resolution creating your committee its duty was defined to be to examine "the propriety of modifying the present laws relating to taxation, assessment and interest, so far as they affect the agricultural, manufacturing, commercial, laboring, banking and other interests of the State; as to whether capital has been or is being driven from this State by restrictions affecting corporations, and, if so, as to the remedy therefor; the operating and effect of the present tax laws of the State, and report to the Legislature at the next annual session by bill, either proposed new laws or such proposed changes in or modifications of existing laws, as, in their judgment, will increase the indirect revenues of the State government, and, as far as possible, equalize the burdens of taxation."

## The Propriety of Modifying the Present Tax Laws.

The plan of valuation, assessment and collection by local assessors, and collectors and boards of supervisors in counties at present in force was first adopted by chapter 133 of the Colonial Laws of 1703, and has since so existed with practically no modification in essential particulars. A reform of the principles of our system was directly attempted by the commissions of 1861, 1871 and 1881. The last one alone succeeded in any radical innovation, though leaving undisturbed the general rules which had so long prevailed, but succeeded in securing the adoption of the principle now in such successful operation for the levy and collection of taxes for State purposes solely, and generally referred to as the Corporation Tax Law, and which was followed by the Inheritance Tax Law of 1885, having the same end in view. Contemporaneous with our own labors, the State has had the benefit of those of Mr. Charles A. Collin and Mr. J. Newton Fiero, the counsel appointed by Governor Flower, under chapter 660 of the Laws of 1892, to examine the laws of this and other States relating to taxation, and whose report, transmitted to you on February 3, 1893, with the accompanying bill, now awaits your consideration.

The sessions of your committee were publicly held, and the testimony taken thereat quite fully reported, and thoroughly discussed as it appeared in the public press generally. This afforded to all parties interested ample opportunity to follow and profit by its developments, and brought about a full exchange of criticisms and suggestions, and leads naturally to some natural common conclusions. With most of the views advanced in the counsel's report, the committee in the main agrees, yet directly differs with it in the following respects:

*First.* The equalization of personal taxes between the counties as proposed, would be the attempt to correct an inequality which unquestionably exists, by a remedy which would legalize a system of official guessing, which would be an unworthy act of legisla-

tion, unbecoming to the State, and only intensifying and prolonging a conflict between its several local divisions which it is the aim of this report to do away with wholly, and which we believe while in its present form relating to real property alone has been and will continue to be the most serious obstacle in the way of genuine tax reform.

*Second.* The taxation of mortgages, as treated of subsequently in this report, we believe to be a proper change from the present law which that report considers but does not affect.

*Third.* The taxation of savings bank deposits would be an undesirable interference with the earnings and savings of our thrifty people.

The bill submitted by the counsel in the procedure which it recommends for the levy and collection of taxes, and their review (with some changes under the head of State tax sales), and for the guidance and control of officials, being the result of the labors of lawyers of great experience, and the special knowledge of Professor Collin through his valuable service as a member of the of the Statutory Revision Committee, is admirably adapted to eliminate the dissatisfaction produced by the antiquated methods and confusions of the present system.

## Equalization of State Tax.

The necessity for an equalization of taxes between the several counties exists wholly by reason of their collection of their share of the taxes raised to meet the expenses and appropriations of the State. It has always been confined to equalization upon real property. Even in such a case where the object assessed can be seen, its results are never satisfactory, and it will always continue to be an arbitrary exercise of power, and not a pure exercise of judgment, which should be tolerated only until constant, well directed effort can abrogate the necessity, which alone justifies it.

This method of raising the revenue of the State by local taxation, not so much by the burden which it imposes, but by the excuse which it affords the local assessors for reducing assessments upon real, and ignoring the existence of personal property, which should be taxed. The taxing officers who come nearest to a compliance with their legal duty will be criticised for inviting an increase of the State tax upon their community. In fact, in the judgment of your committee, it is this which has done as much as any other one cause to dull the public conscience into a toleration of the wholesale and manifest evasion of taxation upon personal property. Were the taxes raised by each county disbursed solely for the expenses of its own administration, the fixing of the responsibility which would ensue, could not fail to lead to and develop economy. The public generally, does not stop to consider, and an extravagant local administration will, as far as possible, conceal from them the small share of State expenses at present included in their taxes. The average levy for the past two years for State purposes is about one and seven-tenths of one per cent per annum, while the average for the preceding thirty years was nearly three times as great. The enlightened understanding of the principles of taxation, which our examination leads us to believe, has very greatly spread during the past few years is so seriously obstructed in its attempts to arrive at any reform of those principles by the present methods of collecting this part of the State's revenue.

In view of all these facts your committee was impressed at the outset with, and still firmly adheres to, the opinion that the elementary step indispensable to develop these reforms, was to revise means whereby the revenues of the State should be raised independent of local taxation, and which we believe our proposed amendments to the existing laws will in a short time produce.

### Fine and Imprisonment for Nonpayment of Taxes.

The proceedings for contempt provided by existing statutes, as a remedy for the enforcement of the payment of taxes, is of necessity applied to cases of tax upon personal property. The fact that it must be resorted to is generally the most satisfactory evidence that the tax should never have been levied. It arises only as a remedy against those individuals who, being conscious that they have no property which is taxable, and relying upon that, neglect to examine the assessors' books. The ordinary action and execution will afford ample relief, and in harmony with the prevailing sentiment, we have provided for abolishing the recourse to fine and imprisonment.

### Taxation of Executors.

The evasion of the tax upon estates held in trust under wills is generally complained of. Where there is more than one, the changing of the possession from one county to another or to another State, following the residence of the executors or trustees, will hereafter be obviated by a bill which we report, fixing the county of probate as the locality where the tax shall be levied. This measure will afford considerable relief, it is believed, to the counties of New York and Kings.

### Powers and Duties of Assessors.

The powers of the assessors to examine complaints should be enlarged so as to permit of the examination of any persons and papers which to them may appear pertinent to the inquiry. At present this is practically limited to such evidence as the complainant may offer, and the power to compel the production of papers and persons is not vested in the assessors. We believe that the necessary amendment is provided by a bill which we submit, and wherein provision is also made for more extensive powers over the reopening and revision of lists where persons or

property are omitted. The payment of assessors has been frequently urged upon the committee as in part the cause why more thorough examinations are not made by them. We, therefore, recommend that their actual and necessary disbursements should be audited and allowed to them. Upon the other hand, recognizing that the assessor is intrusted with duties whose evasion work incalculable wrong, we believe that the added penalty which we provide for misconduct, whereby he is disqualified forever from holding office, will have a proper restraining effect.

### Agricultural Interests.

It needed no special examination to impress upon our members that the value of farming lands had generally suffered a severe decline during the past decade and that at their present depreciated prices they have found but little market. The testimony taken showed this to be very nearly a universal rule. It can not be said, however, that the question of taxation has played any important part as a factor in producing this undesirable condition, and, clearly, the State tax has been so light that it may be said to have had positively no bearing. This being the case, whatever injustice they have suffered in regard to taxation must be said to arise from lax and extravagant administration of the laws in their several localities, and for which they themselves should be primarily held liable. It is hardly to be expected that the field of general taxation, judging from the tendency of public opinion of to-day, will in this State be extended. After reaping such benefits as we trust will follow from the tax reforms which it is to be hoped this Legislature will adopt, the relief must be sought in other channels than tax legislation. It is undoubtedly true that the expenses of local government are chiefly chargeable to the city and to the village rather than to our scattered communities. It would be proper in view of this to allot the respective

shares of such burden upon a different basis than at present used. Some table by which a city and village should pay 110 per cent on their assessed valuation, and thereby reduce that of the remainder to 90 per cent, would make a due allowance for the sources of the expense and benefits received. In this connection it will be proper to report upon these topics which find their chief if not sole advocates outside of the centers of population in our State. These are the listing system, the income tax, the exemption of personal property by offset for debt, the rate of interest, and the taxation of mortgage indebtedness.

### The Listing System.

The representative farmers who appeared before us were themselves considerably divided in opinion as to the advisability of, or probable success from its adoption. The reports from those States where it has been in operation do not show a healthy increase in property or values of the subjects listed. This State cannot well afford, therefore, to experiment with the subject, but can wisely and well afford to await a full and fair trial by those States which have ventured in this direction, with the certainty that the intelligence and independence of our citizens will cheerfully profit by the result when time and experience has demonstrated that the results to be expected are not problematical.

### The Income Tax.

This is justly regarded as one of the fairest means of raising public revenue. It is, however, we believe, regarded by the great majority of our people as a last resort, a kind of war measure. In a State whose wealth is distributed as ours is, and where the extreme contrasts of great wealth and poverty, of comfort and privation do not exist, and the absence of which conditions prevents the striking contrasts which justify and render it necessary in European countries, it would lack the moral support of the

people, and would only re-enact, in another form, the inequalities which to-day follow the efforts to enforce our laws for taxing personal property.

### Deductions for Personal Debts.

Each instance where an unlawful advantage of this provision of our laws is gained is discussed until the evil is multiplied far beyond what, in our judgment, really exists.

The principal property owners who would be affected by a repeal of this provision are those whose effects are in sight, our farmers, mechanics and manufactures. It is the only means whereby they equalize in a small degree the extra burden which they bear for the owners of personal property, whose property is not visible to the assessors. The creation of fictitious debts by this latter class, will, it is confidently expected, be overcome by the provisions of the Deyo act of 1892. To refuse this concession to the people of a commercial State such as ours, would be a virtual attempt to ignore the system of credits upon which its commercial prosperity is based, and as a direct sequence fasten upon every consumer an increased cost for the necessaries of life.

### The Rate of Interest.

As upon the question of the listing system a wider difference of opinion was found among farmers than we had been led to expect by the advocates of a reduction of the present rate of six per cent. Borrowers among commercial people were generally opposed to it upon intelligent reasoning. It can not be said that such an enactment is seriously demanded by any interest. In the belief, however, that the law of supply and demand which must control this matter largely will lead thereby to the voluntary reduction in most instances, we have recommended the exemption of mortgages from all taxation except a specific State tax of one-half of one per cent.

## Taxation of Mortgages.

Money can not lay idle, and the borrowers who have good security will find many lenders. This is evidenced in the prevailing fact that loans of this character are now frequently made considerably below the fixed legal rate. Where the security is not fitted to find help in this market the borrower must seek it where the lender will exact all the law allows. More he can not safely do.

The plan that is proposed by your committee of taxing mortgages for State purposes is deemed to be the wisest course. Its success may demonstrate that the claim that the exemption of all personal property from general taxation would be a positive public benefit is well founded.

## Local Option.

Local option means absolutely the exemption of personal property from taxation. We accept the judgment of the representative men of New York who testified before us to that opinion. We believe their prediction that, once adopted in New York city and county, it would compel adjoining counties, one by one, to follow its example, in self-protection, if not from choice. Where would those be who would be tardy in joining the movement, and if they were tardy in doing so, what would be their condition? They would be stripped of the resident population which possessed wealth. From this deplorable condition how long would it require for them to regain it? It is doubtful if they ever could. Sufficient other causes are already in operation, depleting the population of many of our counties. If it be a wise policy to exempt personal property, the Legislature should face the issue fairly, and not by indirection. All counties should be given a fair start in its advantages if it really possesses them.

## Is Capital Driven from the State?

The formation of corporations in adjoining States, and in some quite distant, in which the moving spirits are citizens of New York, and the substantial capital is their contribution, is not due, primarily, to our tax laws. The provisions of our statutes whereby personal liability may follow stockholders, and corporations are required to furnish full reports is the essential grievance. Those requirements are in conformity with the well settled policy of this State. They simply carry out a virtual requirement of our Constitution, which provides (Article VIII, section 12), "Dues from corporations shall be secured by such individual liability of the corporators, and other means as may be prescribed by law." These provisions of our corporation laws have given to those bodies an enviable reputation for stability which it would be unwise to destroy. The tax collected is but an incident in the history of this flight of capital, if we are to believe the uniform testimony produced before us. These emigrants return to New York to transact their business. If they desire to publish themselves as avoiding liability under our laws the loss is their own. The loss as a source of taxation can be remedied by applying to them the same laws which tax our domestic corporations, and the amendment which we submit allows them no advantage, nor does it discrimate against them, but simply provides that such business can not be carried on here unless the tax shall first be paid, both for original entry, and annually thereafter. A State tax is also recommended upon corporations now exempt, where the net earnings exceed six per cent.

## Increasing the Revenues of the State.

The report of Comptroller Campbell, submitted this year, estimates the probable expenditures to be provided for by State tax for the current fiscal year, $7,784,848.16.

To impose taxes which would at once raise so large a sum through new channels or different methods would be an innovation too startling to command success. A gradual, sure, but by no means slow method which can attain this desirable end will commend itself to the people and their representatives. The sum at present raised by general tax for State purposes from fixed causes must continue to decline. The extinguishment of the State debt, decreased deficiencies of the State prisons, conclusion of the Chicago exposition, completion of the Capitol, and other causes promise a speedy retrenchment in the amount so necessary to be raised. In the meantime the additions from the more efficient administration and natural increase under the laws, and the development of those proposed for State revenue will speedily climb to a point where they will meet and pass the demands upon the State. The first increase is recommended to be raised by a tax for State purposes upon mortgages.

### Taxing Mortgages.

As personal property mortgages are now taxable, and presumably are contributing the share thus specifically imposed upon them, but in reality are not. The tax proposed is about the general average which they have been so subject to for the past thirty years. The additional burden is that no deduction for debt is allowed as against the tax for State purposes. It is not a violent assumption to assert that the holders of mortgages have at least that amount of net assets which are, therefore, rightfully taxable. To the general investor in mortgages this change presents an opportunity for the exemption from all other taxes, and it is believed will lead to a general reduction in the rate of interest upon those securities by increasing their availability as an investment by insuring a large margin of net profits than many public securities now pay.

As a tax upon personal property it is an ideal one. It defies evasion, and must be paid in every instance when the mortgage

is taken as security. The chief argument against taxing personal property is that it can not be universally, that is, equitably enforced. The system proposed completely obviates this objection. Of the results to be anticipated from this source of revenue a few figures will give demonstrations. The present assessed equalized value of real property in this State is $3,526,645,815. The State Assessors say that this is but sixty-five per cent of the actual value, which should be, therefore, in round numbers, $5,400,000,000, which is, probably, still a low estimate. If forty per cent of this is mortgaged for fifty per cent of its value, there would be in mortgages about $1,000,000,000. This is exclusive of mortgages on personal property. A tax of one-half of one per cent on that amount would produce $5,000,000, but which will be reduced by the securities held by savings banks and nontaxable institutions.

### Succession Tax.

The conclusions arrived at by the committee are to favor the incorporation into the present law of a progressive or graded tax; to include real estate in estates of over $50,000, in the direct line; and to abolish exemptions on all amounts over $10,000. When it is recalled that the increase of receipts from the succession tax last year over the previous one was $895,950.93, it would seem safe to expect a still larger increase from the proposed amendments.

### Corporation Tax.

The practice of incorporating under the laws of other States has already been referred to. Amendments are reported to the existing organization and franchise tax which is collected from domestic corporations, which protect our own corporations by compelling foreign corporations doing business in this State to contribute equally with them.

Evasions of this tax by domestic corporations which being heavily bonded pay no dividend and are, therefore, not proportionately assessed upon the basis of the market value of their

stock, are overcome by an amendment which provides that the capital stock shall in such cases be assessed at its par value. From those changes in the corporation tax a handsome income can also be reasonably estimated.

### Conclusion.

Your committee concludes that the direct revenues of the State will, if their suggestions are enacted by you and meet with the executive sanction, start with an annual increase in the State revenues of over $4,000,000. They believe it will solve the question of taxes for State purposes and open the way for intelligent reform upon the vital topics of taxation for local purposes. We confess a considerable change of heart from the opinions at first entertained by us when we say that the proposition to relieve personal property from taxation presents a problem which we are well satisfied is worthy of careful study, but to which we do not feel fully warranted in giving our present assent further than in the direction recommended.

CHAS. P. McCLELLAND.
JOHN F. AHEARN.
H. J. COGGESHALL.
THOMAS F. BYRNES.
HENRY H. GUENTHER.
JOHN J. CASSIN.
GEO. R. MALBY.

Dated Albany, *March* 17, 1893.

# APPENDIX.

## AN ACT to amend chapter four hundred and eighty-three of the laws of eighteen hundred and eighty-five, entitled "An act to tax gifts, legacies, and collateral inheritances in certain cases," and the several acts amendatory thereof.

*The People of the State of New York, represented in Senate and Assembly, do enact as follows:*

Section 1. Section one of chapter four hundred and eighty-three of the laws of eighteen hundred and eighty-five, as amended by chapter seven hundred and thirteen of the laws of eighteen hundred and eighty-seven, and by chapter two hundred and fifteen of the laws of eighteen hundred and ninety-one, and as further amended by chapter one hundred and sixty-nine of the laws of eighteen hundred and ninety-two, is hereby amended so as to read as follows:

§ 1. After the passage of this act, all property which shall pass by will or by the intestate laws of this state from any person who may die seized or possessed of the same while a resident of this state; or, if the decedent was not a resident of this state at the time of his death, which property, or any part thereof, shall be within this state; or any interest therein, or income therefrom, which shall be transferred by deed, grant, sale or gift made in contemplation of the death of the grantor or bargainor, or intended to take effect in possession or enjoyment after such death, or whether bequeathed or devised to representatives in lieu of commissions upon the value of such property over and above the commissions allowed by law to any person or persons, or to any body, politic or corporate, in trust or otherwise, or by reason whereof any person or body politic or corporate shall become beneficially entitled in possession or expectancy to any property or the income thereof, shall be and is subject to a tax at the rate

hereinafter specified, to be paid to the treasurer of the proper county, and in the county of New York to the comptroller thereof, for the use of the state; and all heirs, legatees, devisees, administrators, executors and trustees shall be liable for any and all such taxes until the same shall have been paid as hereinafter directed. When the beneficial interest to any personal property or income therefrom shall pass to or for the use of any father, mother, husband, wife, child, brother, sister, wife or widow of a son, or the husband of a daughter, or any child or children adopted as such in conformity with the laws of the state of New York, or to any person to whom the deceased, for not less than ten years prior to death, stood in the mutually acknowledged relation of a parent, or to any lineal descendant born in lawful wedlock; in every such case the rate of such tax shall be one dollar on every hundred dollars of the clear market value of such property, so passed, up to the amount of one hundred thousand dollars, and on all sums beyond said one hundred thousand dollars, and up to the amount of five hundred thousand dollars, such tax shall be two dollars on every hundred dollars of the clear market value of such property, and on all sums beyond said five hundred thousand dollars, said tax shall be two dollars and fifty cents on every hundred dollars of the clear market value of such property, provided that an estate which may be valued at a less sum than ten thousand dollars, shall not be subject to any such duty or tax. When the beneficial interest in any real property or any income therefrom shall pass to or for the use of any father, mother, husband, wife, child, brother, sister, wife or widow of a son, or the husband of a daughter, or any child or children adopted as such in conformity with the laws of the state of New York, or to any person to whom the deceased, for not less than ten years prior to death, stood in the mutually acknowledged relation of a parent, or to any lineal descendant born in lawful wedlock; in every such case the rate of such tax shall be one dollar on every hundred dollars of the clear market value of such property, provided that an estate which may be valued at a less sum than fifty thousand dollars shall not be subject to any such duty or tax. In all other cases the rate shall be five dollars on each and every hundred dollars of the clear market value of all property, real and personal, and at and

after the same rate for any less amount, provided that an estate which may be valued at a less sum than five hundred dollars shall not be subject to any such duty or tax; and provided further that any property hereafter devised or bequeathed to any religious corporation to an amount not to exceed ten thousand dollars shall be exempted from and not to be subject to the provisions of this act.

§ 2. This act shall take effect immediately.

## AN ACT to abolish fine and imprisonment for non-payment of taxes.

*The People of the State of New York, represented in Senate and Assembly, do enact as follows:*

Section 1. After the passage of this act, a neglect or refusal to pay any tax, shall not be punishable as a contempt, and fine and imprisonment for any such nonpayment is hereby abolished.

§ 2. This act shall take effect immediately.

## AN ACT to amend chapter five hundred and forty-two of the laws of eighteen hundred and eighty, entitled "An act to provide for raising taxes for the use of the state, upon certain corporations, joint-stock companies, and associations," and the several acts amendatory thereof.

*The People of the State of New York, represented in Senate and Assembly, do enact as follows:*

Section 1. Section three of chapter five hundred and forty-two of the laws of eighteen hundred and eighty, entitled "An act to provide for raising taxes for the use of the state upon certain corporations, joint-stock companies, and associations, as amended by chapter three hundred and sixty-one of the laws of eighteen hundred and eighty-one, and chapter three hundred and fifty-nine of the laws of eighteen hundred and eighty-five, and chapter one hundred and ninety-three of the laws of eighteen hundred and eighty-nine, and chapter three hundred and fifty-three of the laws of eighteen hundred and eighty-nine, and chapter five hundred and

twenty-two of the laws of eighteen hundred and ninety, is hereby further amended so as to read as follows:

§ 3. Every corporation, joint-stock company, or association, or express company, whatever, now or hereafter incorporated, organized or formed under, by, or pursuant to law of this state, except only savings banks and institutions for savings, life insurance companies, banks, foreign insurance companies, and agricultural and horticultural societies, associations or corporations, which exceptions, however, shall not include gas companies, trust companies, electric and steam heating, lighting and power companies, shall be liable to and shall pay a tax, as a tax upon its franchise or business, into the state treasury annually, to be computed as follows: If the dividend or dividends made or declared by such corporation, joint-stock company or association, or express company during any year ending with the first day of November, amount to six or more than six per centum upon the par value of its capital stock, then the tax to be at the rate of one-quarter mill upon the capital stock for each one per centum of dividends so made or declared; or if no dividend be made or declared, or if the dividend or dividends made or declared do not amount to six per centum upon the par value of said capital stock, then the tax to be at the rate of one and one-half mills upon each dollar of the said capital stock, at its par value; and in case any such corporation, joint-stock company or association or express company shall have more than one kind of capital stock, as for instance, common and preferred stock, and upon one of said stocks a dividend or dividends, amounting to six or more than six per centum upon the par value thereof, has been made or declared, and upon the other no dividend has been made or declared, or the dividend or dividends made or declared thereon amount to less than six per centum upon the par value thereof, then the tax shall be at the rate of one-quarter mill for each one per centum of dividends made or declared upon the capital stock upon the par value of which the dividend or dividends made or declared amount to six or more than six per centum, and in addition thereto tax shall be charged at the rate of one and one-half mills upon each dollar of capital stock at par value, upon which no dividend was made or

declared, or upon the par value of which the dividend or dividends made or declared did not amount to six per centum. Domestic manufacturing or mining corporations, or companies wholly engaged in carrying on manufacture, or mining ores within this state, shall not be taxable as herein provided, unless the net earnings thereof shall exceed six per centum per annum. Any foreign corporation doing business in this state shall annually pay a like tax as an excise tax or license fee, to be computed as follows, viz.: Upon that percentage of its total capital stock, which the business of said corporation done in this state bears to its entire business. Upon the annual payment thereof the state treasurer shall deliver to such foreign corporation a certificate of such payment, and no action shall be maintained, or recovery had, in any of the courts of this state, by such foreign corporation doing business in this state without such annual certificate.

§ 2. This act shall take effect immediately.

## AN ACT to provide for licensing foreign stock corporations.

*The People of the State of New York, represented in Senate and Assembly, do enact as follows:*

Section 1. Every foreign corporation doing business in this state shall pay a tax of one-eighth of one per cent upon that percentage of its total capital stock which the business of said corporation done in this state bears to its entire business, to the state treasurer, for the use of the state, upon obtaining a certificate of authority from the secretary of state to do business in this state; and, if subsequent to the obtaining of such authority, it should increase its capital, it shall pay a like tax upon such increase. The amount of capital on which such tax shall be paid shall be fixed by the comptroller in the same manner as he fixes the tax to be paid by a corporation for exercising a corporate franchise. No action shall be maintained, or recovery had, in any of the courts of this state by such foreign corporation doing business in this state, without obtaining such certificate of authority and a receipt for the license fee hereby imposed.

§ 2. This act shall take effect immediately.

# AN ACT in relation to the assessment and collection of taxes.

*The People of the State of New York, represented in Senate and Assembly, do enact as follows:*

Section 1. Whenever a person on his own behalf, or on behalf of others, shall apply to any assessor, or board or body, charged with the levying of assessments or taxes, to reduce the value of any real or personal estate, as set down on the assessment-roll, it shall be the duty of such assessor, board or body, to examine such person under oath, touching the value of the said real or personal estate, and they shall have power to administer the necessary oath therefor, and to issue to any and all persons, subpoenas duces tecum, to appear before and submit to examination upon such application, and after such examination, and such other supplementary evidence under oath as shall have been received, they shall fix the value thereof; but if such person so applying, or the party to whom such application is made shall refuse to answer any question as to the value of such real or personal estate, or the amount thereof, or shall fail to present sufficient supplementary evidence, under oath, to justify the reduction, the said assessors shall not reduce the value of such real or personal estate. The examination so taken shall be written, be subscribed by the persons examined, severally, and shall be filed in the office of said assessors, board or body; and any person who may willfully swear false on such examination, shall be deemed guilty of willful and corrupt perjury.

§ 2. Whenever it shall be made to appear to the assessors, or any board or body, charged with levying any tax, that any body or person lawfully taxable shall have been omitted from the assessment-roll for the current or preceding year, it shall be their duty to enter the same in the assessment-roll of the current year at any time within five days previous to the final day for inspection of said assessment-roll, and shall forthwith cause a notice of such addition or change to be mailed to the person or persons affected thereby, at his last known place of residence.

§ 3. In addition to the compensation now fixed by law, every town assessor shall be entitled to be reimbursed for necessary

and lawful expenses while engaged in the performance of his duties, to be audited and allowed by the board of town auditors.

§ 4. Every omission of duty by any assessor shall be a misdemeanor, and upon conviction shall disqualify the person so convicted thereafter from holding any public office or employment.

§ 5. The place wherein the testator last resided in any county in which the will is probated, shall be the place where all taxes shall be levied, and paid on any property held under the terms of said will.

§ 6. This act shall take effect immediately.

## AN ACT to regulate the taxation of mortgages.

*The People of the State of New York, represented in Senate and Assembly, do enact as follows:*

Section 1. A tax is imposed upon every mortgage now taxable in any form, for any term on any real property, or of any interest therein, of the value of two hundred dollars or over, at the rate of one-half of one per cent upon the amount paid thereon, to be paid annually as herein provided, for the use of the state.

§ 2. Such tax shall be paid by the holder of such mortgage as herein provided, and no such mortgage shall hereafter be recorded or filed, or received for recording or filing, in any public office as by law provided, unless the party producing the same therefor shall deliver with such mortgage a receipt of the county treasurer of such county, except in the county of New York, where such receipt shall be that of the comptroller of the city of New York, and from which receipt it shall appear that there has been paid to such receipting officer the said tax imposed by this act from the date thereof, and for the period of at least one year. The said tax shall be paid annually thereafter in the same manner, except in case of foreclosure or sale thereunder or satisfaction thereof when the tax proportioned for the part of the year shall be received.

§ 3. Said tax shall be and constitute a lien on every such mortgage, and upon the property covered thereby, and which lien and the said tax shall be paid and discharged solely by the holder of such mortgage, and any agreement whereby the same is to be

or shall have been paid by any person other than the holder of said mortgage, directly or indirectly, shall be void, and any such tax or lien so paid by any person other than the holder of said mortgage, directly or indirectly. shall be a valid set-off and counterclaim against the interest or principal due or to become due upon such mortgage, in favor of the mortgagor or his successors.

§ 4. Every mortgage filed or recorded on or prior to the passage of this act shall pay the tax herein levied within thirty days of such date of passage, and annually thereafter.

§ 5. All taxes imposed by this act shall be paid to the county treasurer of the county wherein any such mortgage is filed or recorded, except the county of New York, where the same shall be paid to the comptroller of the city of New York, and such officer shall deliver duplicate receipts therefor specifying the date and time of payment and which shall fix and determine the priority of the lien thereof. When any default shall be made in the payment of the tax hereby imposed, interest at the rate of fifteen per cent per annum shall be charged and collected upon the amount of said tax so due while unpaid.

§ 6. No judgment of foreclosure upon any mortgage shall be entered, nor shall any sale for a default thereunder be valid, nor shall any satisfaction or assignment of said mortgage, or release of said mortgaged property, or any part thereof, be recorded or filed or received therefor by any officer unless there shall be delivered therewith a receipt as herein provided, showing the payment of the tax due as hereby imposed, and any interest and arrearages thereon.

§ 7. The officer to whom such taxes shall be paid shall semi-annually, on the first day of and pay to the comptroller of the state, the moneys so received by him, after deducting a commission of one per cent hereby fixed and allowed as compensation for his services and expenses, together with a detailed statement of the date, amount, from whom received, amount of mortgage, time to run, and location of property.

§ 8. No mortgage paying the tax herein provided for shall be otherwise taxable for state or local purposes.

§ 9. This act shall take effect immediately.

# TESTIMONY.

New York, December 13, 1892.

Pursuant to resolution passed April, 1892, the joint committee on taxation met at the Hotel Normandie, New York, December 13, 1892, at 2 p. m.

Senator Charles P. McClelland was elected chairman.

M. B. Redmond, on motion, was appointed sergeant-at-arms.

Messrs. Thomas C. Creamer and Andrew J. Hamilton were appointed counsel to the committee.

William L. Milligan was appointed stenographer.

The sergeant-at-arms was directed to confer with the commissioner of public works, with a view to securing a room in the city hall or county court for future meetings of the committee.

On motion, it was ordered that the committee meet December 14th, at the Hotel Metropole, New York, at 2 p. m.

On motion, the committee adjourned.

---

New York, December 14, 1892.

The committee met at the Hotel Metropole pursuant to adjournment, all the members thereof being present.

The meeting was called to order by the chairman.

Thomas L. Feitner, being duly sworn, testified as follows:

By Mr. Creamer.

Q. You are commissioner of taxes in New York city? A. Yes, sir.

Q. How long have you been such? A. A little over nine years.

Q. Have you read the resolution authorizing this committee to investigate the affairs of your department concerning what is set forth in said resolution? A. I have.

Q. What is your judgment concerning the just cause for complaint regarding the unequal taxation on real and personal property, resulting from recent legislation, concerning personal prop-

erty particularly — the taxation on personal property? A. I don't know what I can say about that in a general way; the only acts that seem to affect the question of taxation lately passed is the act requiring a tax for incorporations.

Q. To which act do you refer; how recent? A. The last two or three years; I have forgotten the year now in which a percentage of tax, based upon the amount of capital under which the corporation is to be formed. In my experience it is often stated as a matter of information by people coming into the office that that has a tendency to compel them to incorporate under the laws of other States.

Q. You refer to the one-eighth of one per cent on the incorporating of companies? A. Yes, sir; the incorporating of companies.

Q. But that has nothing to do with your office? A. No, sir.

Q. It is the county clerk's office, I believe? A. The State Comptroller.

Q. But the articles of incorporation are filed, and when filed they pay that tax to the State Comptroller? A. Yes, sir; I might say in connection with that, so far as our office is concerned, that we are still increasing almost as rapidly, or about as rapidly, in the formation of incorporations in the city as we were previous to that.

Q. There has been no perceptible decrease? A. There has been no perceptible decrease, and I think it can be fairly said that there is no perceptible decrease in the amount of taxes any way that we derive from corporations, whether they be domestic or foreign.

Q. Now, commissioner, we will go back to the act of 1880, and subsequent legislation amendatory of that act, which it was considered inaugurated a new era in the taxation of personal property, more particularly for such purposes; a few years later, I believe, you were commissioner of taxes — nine years, you said, and therefore previous to that you could not very well give this committee what effect, if any, the operations of that act had, but you can especially as to the amendments that were made subsequent to your tenure of office as commissioner, on the business interests as you have judged by the reports made to your office? A. That act had not any effect in the least, for

this reason, that when a corporation is assessed by the State Comptroller, whatever amount we may find, take a special corporation, whatever amount we may find of the valuation of its capital, the tax will be applied to that corporation upon that amount, less the State rate, so that what would have originally been collected on the full rate by the city without regard to that act, the State only gets its percentage from the comptroller, when it otherwise would have got it directly through the city.

Q. You did not notice that there was any perceptible falling off after the inaugration of that system of paying into the State treasury? A. No, sir.

Q. In lieu of paying into the city treasury? A. You understand how that operates; as an illustration, to-day, for instance, I have not got the exact figures, but it runs about this way — we find over two hundred and odd millions of taxable value upon corporations and individuals.

Q. This year how much do you say? A. I think two hundred and odd millions; out of that there may be over one hundred and odd millions as against corporations; if that act was not in effect we would have collected the State tax as well as the local tax, and been chargeable by the State for the whole amount; now, that act operating, we collect only the local tax, and the State collects the direct tax.

Q. Was there not a large falling off in the amount of personal assessed property on the tax books about that period? A. I don't remember.

Q. Will you please furnish the committee, commissioner, for its next meeting, the reports of your office covering that period — perhaps you had better get some years previous, so that we will have a record to know whether the falling off in the amount was in proportion to what was collected by the State treasury; I think we had better have the reports on that, so that we will be able to get at it more practically? A. I will furnish all the reports of our department.

Q. Did you understand at the time those personal tax laws were made that exempted from all local taxes property that

previously had been subject to taxation? A. No, sir; it did not; for State purposes, of course, but not for local purposes.

Q. Section 4 of the act of 1880 says: "The lands and real estate of life insurance companies shall continue to be assessed and taxed where situated, for State, city, town, county, village, school or other local purposes, but the personal property of said companies, and shares of stock therein, shall hereafter be exempt from assessment or taxation, except as in this act prescribed;" this act prescribes for taxation on land and real estate; it is the act of 1880? A. Well, that act was tested, you know, in the Court of Appeals, as to exempting for local purposes, and the court held that it was a State act, applicable for State purposes, and they were not exempt for local purposes.

Q. And do you collect to-day for local purposes from those corporations other than a tax on their real estate? A. We do.

Q. Will you please furnish a memorandum, and furnish the committee a statement concerning whatever branch of these corporations the committee decide to inquire about for its information? A. I will.

Q. That will be one of the points we want to cover at the next meeting? A. Yes, sir.

Q. Then, in your judgment, the recent legislation concerning a tax on corporations, or the tax that is imposed when they file their articles of incorporation, has not affected the commercial or business interests of the people of this State? A. That is my judgment; the effect of the general laws without regard to those special acts may be a different question. The situation is that under the decisions of the Court of Appeals allowing deductions for debts, that to collect or make assessments that would justify public opinion upon the amount of property that might be located here, is next to impossible; we know not what the effect of this new act passed by the last Legislature is going to have upon that very question of indebtedness, because its operation has not begun and won't begin until the second Monday in January in the city of New York, but we look forward to quite an improvement on the question of indebtedness being an offset as against taxable personal property.

By the Chairman.

Q. You refer to the General Corporation Act? A. No, sir; to Deyo's act on general securities, buying United States bonds and creating debts for the purpose of evasion, nontaxable securities, etc.

Q. It is a fact, is it not, that people residing in this State incorporate in other States; would you kindly state to the committee the reason why they do incorporate in other States? A. Of course, we do not obtain, always, the inside information, but as a lawyer of practice, and upon inquiry, without having authority to inquire, as a mere matter of casual inquiry, sometimes, when they come into the office, it is not alone this special tax upon incorporations, but it is claimed that on account of the filing of the usual reports which is required for State organizations, that there is a liability of the shareholders that arises under the laws of this State, and for that reason they prefer to organize in New Jersey or some other State; that our laws are more strict if they do not file their reports annually and specifically as to the items of assets. I think, on the other hand, that the State, from what I have heard, is maintaining a reputation which is becoming a credit system for the corporations of this State to continue the condition that they have; that corporations organized in other States are now beginning to be looked upon as more or less fraudulent, while a corporation organized under the laws of this State is beginning to be looked upon as something that is substantial and creditable.

By Mr. Creamer.

Q. Take what recently appeared in the public prints; the National Cordage Trust Company, having their principal office in New York city, nevertheless, they hold a meeting of their board of directors at Trenton, New Jersey, recently, and double their capital stock from ten to twenty million; what report do you remember was made to your office by that corporation concerning its business; does the report of the condition of the company when they approach the tax office appear the same as when they met in New Jersey to double their capital stock owing to their

surplus? A. It is very difficult to answer any special case; that particular case I do not remember.

Q. I will take that as so conspicuous? A. The probability is, or might be, that that corporation would not have any capital invested in this State at all; now, notwithstanding their capital may be fifteen or twenty or fifty millions, under the law of this State, so far as a corporation is concerned, we can only assess them upon the capital invested in this State.

By Mr. Hamilton.

Q. Engaged in business in this State? A. Yes, sir; the language of the statute is money invested in this State.

By Mr. Creamer.

Q. Their principal office is in this State; I take that as a case to make inquiry as to how this law worked and what you would suggest to remedy the law in case it is defective? A. It would not be very different so far as its obligation was concerned; on the decision of the Court of Appeals in the Union Trust Company, we could not assess them on their capital any more than their assets represented, so that it may be a mere form of organization, unlimited capital and practically no assets.

Q. Suppose that corporation is on your books for assessment, will they claim that they pay in the State of New Jersey simply by holding a meeting of their directors in New Jersey, or at their principal place of business in this city or State? A. We would not care whether they claimed to pay in New Jersey or not; we would hold them here upon their assets just the same as a domestic corporation; they might claim it was double taxation, but nevertheless it has been the rule of the office to hold them upon the capital invested here.

Q. Suppose that stock is held in bulk by two or three individuals, when they appear as individuals at the tax office and their principal wealth consists — at least, a large part of their wealth is comprised of National Cordage Company's stock, they can say that that stock is not taxable because their corporation makes a report to you? A. They could; yes, sir; and I think under the interpretation of the law they would be entitled to.

Q. Take this company as a sample and not with any disposition to ferret into their affairs more than any other company, but their business affairs have recently been in public print, and it is not private property any longer, you have no recollection then as regards this particular corporation in regard to how our present tax laws do operate upon it? A. No, sir; only as I have stated.

Q. Will you please furnish the committtee at its next meeting an account as to who the individuals are who are the officers of that corporation, and what report they make to your office, and what adjustment there is concerning their liability as taxpayers together with what liability their company assumes they are under to this State under the tax laws? A. I will; I will ask the stenographer to supply me with whatever you require in that way.

Q. Subsequent to those tax laws of 1880 and 1881 there were many amendments made after you were commissioner of taxes; were any of those amendments suggested by your board, do you remember, that were enacted? A. We have made many suggestions; I don't remember whether there were any enacted or not; some of them may have been.

Q. Do you remember if any of the amendments to the general law suggested by you were adopted? A. I don't remember any.

Q. Do you remember your board being consulted at any time in connection with this subject previous to the introduction or inauguration of legislation or the introduction of bills concerning the taxation of corporations? A. They have not been consulted that I remember, except through some examinations held.

Q. How? A. By committees.

Q. Then during the nine years that you have been commissioner, parties who have been interested in our tax laws have failed to consult with your office concerning legislation affecting your office? A. Yes, sir.

Q. What is your judgment concerning such a proceeding insomuch as this city is so largely affected; what remedy do you suggest in the future? A. My opinion of the situation leads me to the conclusion that every effort ought to be made by the Legisla-

ture to separate our present system of State and local taxation which is now combined; I look upon the situation as to-day consisting of two wrongs that ought to be remedied, one of which is the State Board of Equalization, no matter how justly, yet always creating difference of opinion between the different counties of the State as to true equalization, and the other is the general inequalities that exist in relation to personal property; now, my thought is that the State ought to continue in line with the bills — with the acts that are now in force in relation to the inheritance tax and the tax on corporations, by taking for itself certain lines of capital, which there can not be any doubt of certainty, and raise the State taxes on capital, and leave the localities, such as the cities and the towns and villages, to make their own efforts to collect on personal property, if those towns and villages deem it necessary to do so; the city of New York, the commercial city of the union — the financial city of the union — can not be compared to your inland cities or the villages of this State; capital comes here when it don't go there, and for the greater prosperity of our city and State I am inclined to encourage capital as much as possible; not to exempt, but to make them pay a smaller proportion of taxes than they are paying now upon the valuation that we are able to obtain; that is to say, if we had a low rate for capital, capital would not be discouraged in coming into our city; when we remember that capital, as a general thing to-day, is not earning more than from two and a half to four per cent, and you attempt to assess it at a rate of two, capital will naturally become afraid, and want another mart where it is not liable to be taxed at that rate; so my thought is as I have already expressed, that the division should be made as between local and state taxation, and the State obtain its about eight millions — it requires about eight millions each year — from capital alone, and leave out each county to raise its taxes either upon personal or real or both, as they may deem necessary; now, there are certain lines of capital that there can not be any doubt the State would be able to raise its proportion of State taxes on, and leave all others free; there are certain lines of capital that the public are not disposed

to encourage taxation upon; for instance, bonds and mortgages; you know that as well as I, but it seems to me that on bonds and mortgages alone, at one mill — at a tax rate of one mill — the State would be able to raise all its taxes and exempt them for local purposes, or ten dollars upon ten thousand dollars; the effect of such a small tax upon bonds and mortgages would not destroy or affect capital coming into this State; if we find, as we do find, bonds and mortgages, under the head of individuals, we assess them at the rate of 185 in the city of New York, when their income is only four and a half to five per cent, you can understand why a considerable amount of capital will not come into the city of New York for investment because of that condition of affairs, while if the State assessed those very things at the rate of one mill, and exempted them from local taxation, the whole State tax could be raised and the localities might be allowed to seek other capital that may be within its precincts, without any interference by the State, and under a revenue code of their own, and do that which was just and wise for their localities; I might give you one or two other lines of capital that, if this particular line did not accomplish the purpose, the others would, although I would not be disposed to go so far as to exempt those other lines from local taxation; my disposition would be to allow them to be taxed at a small rate, as corporations are now taxed under the act of 1880, and then leave them still liable to local taxation, but the purpose of it all being to separate the general laws of this State, so far as taxation is concerned, affecting New York city and the little towns or villages throughout the State in the same way, though no comparison can be made in relation to its interests and business life; the subject of estates is one which is also somewhat objectionable generally to the minds of the public of being assessable, but I can understand how the State could raise all its taxes from estates very readily, and exempt them, if you please, from local taxation, and that would eliminate a most difficult question that we have to meet to-day, and that is the residence of the executors or trustees; the three executors being in existence, one in this county, one in Westchester and another in New

Jersey, under our present condition of affairs, if the New York and Westchester representatives determine that the New Jersey executor or trustee should be the managing officer of that estate, and the effects of that estate deposited in the State of New Jersey, our courts hold that we can not hold them for anything, even if their assets be evidence of indebtedness, such as bonds, notes, claims and things of that sort, all of which may be as against individuals in this State, may be secured on property in this State; now, I can see how the State might compel as every executor and trustee files an inventory of his estate in the beginning of his administration, and that such inventory might be filed with the Comptroller of the State, and the executors and trustees assessed not at the residence of the executors, but at the residence of the decedent, which could be made the permanent taxing place, so that that difficulty might be obviated; the purposes of those suggestions are more to carry out the line of thought coming to me from experience of the way to overcome the difficulties of our present system of taxation, which leads towards the separation of the State and local taxation; I think that is about all in that line of thought.

Q. Referring to the action at Albany in connection with the administration of your office, recently — the commission to revise the corporation laws of this State, did they consult at any time with your office — Professor Collins? A. Not that I ever heard of; there might have been a consultation with our president that we never heard of.

Q. Notwithstanding your department is so important a factor, more particularly as regards the collection of the State tax, you have not since you have been commissioner, these last nine years, ever been consulted in connection with the passage of recent bills or laws affecting your office? A. No, sir; we have not that I remember.

By Assemblyman Quigley.

Q. Has your department ever submitted any proposed changes in the tax laws of this State during your administration? A. Yes, sir; some changes.

Q. That is to the Legislature? A. Yes, sir; I know we have; there is one in my mind now, because I happened to prepare the bill and submit it myself; I think it was about in 1884, and that is relative to the taxation of corporations, known as telegraph and electric companies, I think; in 1854 there was an act passed, I think, for the formation of telegraph companies which determined the valuation of the capital of a telegraph company to be based upon the valuation of construction or reconstruction of their poles and wires, so I submitted an act repealing that act, and leaving them then necessarily under the general act so far as other corporations were concerned; we can not get any taxes out of those corporations.

By Mr. Creamer:

Q. You submitted a bill to become a law? A. Yes, sir; it was printed in the lower house and that was the end of it.

By Mr. Quigley:

Q. What would have been the effect if that law had been put on the statute books? A. I know no reason why telegraph companies and companies of that kind should not stand the same as other corporations; what the effect will be absolutely I can not tell until we see the returns and how much they will be liable for under that act.

Q. Will it have a tendency to increase the tax on this property? A. I think so; without any doubt.

By Mr. Coggeshall:

Q. What were the provisions of this bill? A. Repealing the act of 1854.

By Mr. Creamer:

Q. Exempting them? A. Making that the basis of their capital stock.

By the Chairman:

Q. The cost of construction? A. Or reconstruction.

By Mr. Guenther:

Q. Would you suggest the repeal of that law? A. Yes, sir.

By Mr. Quigley.

Q. Since that time there has not been any material change made regarding the act of 1854? A. No, sir; before I entered the department, the opinion of the corporation counsel of the city was had as to upon what basis we would value those corporations, and his answer was that the act of 1857 in relation to corporations generally did not repeal the act of 1854, and he said we would have to follow the act of 1854; you can see that since 1854, the Legislature has made poles and wires real estate for assessable purposes, and as the measure of the valuation of its capital is based upon poles and wires, and they are already assessed, there is nothing to assess in the capital.

By Mr. Creamer.

Q. That is deducted from the capital? A. Yes, sir.

Q. What proportion does that generally bear to the capital? A. Nothing at all.

Q. There is some proportion? A. Comparatively, I am speaking.

Q. Can you give the committee an idea as to what return those telegraph companies do make? A. I can give you the figures we have.

Q. In round numbers, just an idea? A. I could not give you any figures now; I will have to give you the figures from the returns when they make a report; we do not assess them on the capital at all.

Q. Are they exempt? A. Yes, sir; practically exempt, because the valuation of the poles and wires we assess as real estate, therefore, they are not liable for anything.

Q. Under the general law? A. They do not come under the general law.

Q. What special act? A. 1854.

Q. That has never been disturbed? A. No, sir.

By the Chairman.

Q. To make it plain, what is the basis of valuation in assessing a telegraph company; what is taken into consideration in fixing the value; can you tell the committee that? A. The poles and wires are the only basis; that is practically the situation.

By Mr. Quigley.

Q. Is it a fact that the telegraph companies doing business in the city of New York file any return as to the value of their real estate based upon their value of the poles and wires and also the buildings they own? A. Yes, sir; of course, the buildings are assessed separately; the report that they make for the purpose of capital tax is the value of the poles and wires.

Q. That is considered real estate? A. Yes, sir; that is only rendered to us for the purpose of measuring the value of their capital.

By Mr. Coggeshall.

Q. The capital is not assessed at all? A. It is practically unassessed.

By Mr. Quigley.

Q. Then, through the State, in every village and every city, the poles and wires are virtually exempted. A. No, sir; the poles and wires are assessed as real estate.

Q. In each locality? A. I don't know what they do in other parts of the State; I know it is that way here in New York city.

Q. It is a general law? A. Yes, sir.

Q. What I mean is, there is local taxation on their wires and poles as real estate in the locality in which they are situated? A. I don't understand your question.

Q. For instance, if they have poles and wires in different cities of the State, are they not assessed as real estate in the different cities? A. Yes, sir; under the general law.

Q. That is a tax collected in the locality? A. Yes, sir; it is real estate and assessable as real estate wherever it may be situated.

By Mr. Guenther.

Q. What amount of personal property is taxed in New York city in round figures? A. Over two hundred millions.

By Mr. Creamer.

Q. Nearly three hundred millions, is it not? A. I think so; it runs up nearly to that.

Q. Last year it was over two hundred millions? A. Yes, sir; I think it is about three hundred millions.

By the Chairman.

Q. Do you recall the valuation of personal property upon which Mr. Jay Gould paid taxes in this county, Mr. Fietner? A. Five hundred thousand dollars.

Q. Now, will you tell the committee, if you please, by what method that valuation was fixed on Mr. Gould's personal property; how your department arrived at the valuation of $500,000? A. I think that has been standing on the books for a number of years at $500,000; I don't know but what it was fixed before I got into the department.

Q. To the best of your knowledge your department has simply followed for a number of years what was fixed prior to that time? A. Yes, sir.

Q. You don't know of any effort having been made subsequent thereto to ascertain whether Mr. Gould had more taxable personal property or not? A. I think there was; I think it was originally $250,000, and it was raised to $500,000, now that you speak of it, but I am not sure.

By Mr. Coggeshall.

Q. How long has it remained at $500,000? A. About four or five years, I guess; I know there was a complaint about that.

By the Chairman.

Q. Have you any recollection of anything that led to the increase? A. No, sir; you know our deputy makes the assessment originally; I don't know what led to the increase that year.

Q. You don't know of any effort on the part of the commission to ascertain whether the valuation fixed by the department was right, or anywhere near right? A. We are always making what-

ever effort we can, but unless we have some fair information as to the justification of an increase, we do not increase; we do not believe in using the department — I don't want to use such a hard expression — as blackmailing the citizens of this city; we want to do the just and fair thing to all, no matter whether it is Jay Gould or Tom Brown, the small shoe store man; we want to treat them all alike; at the same time, there is no telling on account of our condition of affairs what any man is worth in taxable assets.

Q. The only object I had in asking those questions in relation to Mr. Gould was to ascertain by what method your department reached a basis of valuation of personal property? A. The deputy makes the assessment, and if it is too high they come in and complain and swear it down.

Q. And in the absence of any complaint of excessive valuation, does the commission uniformly approve the action of the deputy? A. They uniformly approve unless they have some good reason to disapprove, from any knowledge they may have.

Q. Do you recall any instance where the commission has inquired into the action of the deputy in fixing the valuation where it was deemed too low? A. Yes, sir; we have got some information from some outside people, and we have instructed the deputy to increase the assessment, and in every case that I remember they not only swore off the assessments that were increased, but took the whole thing off.

By Mr. Coggeshall.

Q. In the cases you suggest, a person appears before the commission and makes oath as to the tax being excessive; are there other witnesses produced usually, or is it upon that affidavit or oath, and the evidence given, that the commission feel bound to reduce it? A. As a general rule, it is on the affidavit, but it is not in the sense of an affidavit; it is an examination made by the commissioners, going into all the assets of the individual — all the debts that he may claim; they very often upset them on the question of indebtedness, they claiming that a liability is a debt

under the statute; we examine about ten thousand every year in our department, and again and again we have been able to hold people who expected to be able to swear off.

Q. Do you subpena parties other than those interested? A. Not often, but we do if we have any question about it.

By the Chairman.

Q. Assuming that the published accounts of Mr. Gould's holdings were anywhere near correct, in your opinion was he sufficiently assessed by your department for personal estate during the last year of his life? A. We can not have any positive opinion about that to-day; Mr. Gould may have forty million of debts for all we know; it was stated by Mr. Depew once to us that Mr. Vanderbilt maintained twenty millions of debts, because he could make the difference between four and seven per cent, and that would absolutely wipe off all his taxable assets.

Q. Could you furnish to the committee such information as your department may possess covering the last five years of the indebtedness sworn to by Mr. Gould? A. If there is any; yes, sir.

Q. If any? A. Yes, sir.

Mr. Creamer.—I also add the report concerning the Western Union Telegraph Company.

By Mr. McClelland.

Q. And such information or record as your department have of any effort that was made to ascertain the holdings of Mr. Gould liable to taxation as personal property? A. All right; you must remember, you know, from what I have seen—I have been reading the will—the great part of that estate is untaxable assets; of course, all his stocks are untaxable.

By Mr. Stranahan.

Q. That Western Union is all untaxable? A. Yes, sir; the Manhattan Elevated railroad is untaxable, so that we have to come down to bonds, so far as he is concerned.

By Mr. Creamer:

Q. And his annual income is taxable? A. No, sir.

Q. The amount of money he has on hand? A. Yes, sir; of course, anything of that sort; it is not taxable as income.

Q. I mean the accumulation from those large properties? A. Yes, sir.

By Mr. Stranahan:

Q. Did the $500,000 represent both real and personal property? A. No, sir.

Q. Do you now recall the taxation on real property? A. No, sir; we do not assess real estate as against individuals in the city of New York; under the Consolidation Act we assess as against land and buildings alone by ward and block numbers, and if we have not the name correct it don't affect the individual; we are not supposed to know who the owners of real estate are.

By Mr. Coggeshall.

Q. You spoke about raising money from bonds and mortgages for the purpose of defraying State taxes; is it not extremely difficult to get at bonds and mortgages for the purpose of taxation? A. I don't know that it is so very difficult.

Q. They escape taxation a good deal; do they not; what would you suggest in the way of a law to reach them? A. They escape on account of debts the way all property does; there is no necessity of allowing debts as an offset.

Q. Would you suggest a remedy not to allow deductions on account of indebtedness? A. Yes, sir.

Q. Make personal property subject to the same rule as real estate? A. So far as State purposes is concerned, and it then would be practically assessing real estate, because the security is upon real estate, but it would be eliminating this question of equalization as between the different counties, and leave us a certainty as to the amount of capital, whatever that may be, whether higher or lower.

By the Chairman.

Q. The object of my question was, while not intending to criticise your department, to ascertain whether the fault lies in the law as it stands or the execution of it; in order that I may make my purpose plain, we want to know if it is possible, whether or not the personal property of to-day could not be reached under the present law? A. I don't think it could; I will tell you the reason why; suppose we had raised Mr. Gould to one million dollars or five millions of dollars, if you please, he could regulate without doing injustice to the present laws — he could regulate his investments in an instant by exchanging his bonds for stock and leave us in a position where we would not be able to obtain a cent from him; or, he might in his case, in place of residing in New York city, claim his residence in Westchester; he was just as much of a resident in Westchester almost as he was in New York city; in that way again we would have lost him.

Q. So far as personal property is concerned your main objection to the present law is that it is easily evaded? A. Easily evaded.

Q. And you would recommend the amendment of the law at least to the extent of wiping out the provisions which allows one an offset by indebtedness from taxation? A. For State purposes; I don't go so far as that in relation to our general condition, if it is to continue as it is; if we can not adopt a radical system of change, something in the line that I have suggested, leaving local authorities to look after their own interests, all these intangible and uncertain personal interests or assets, why, the present system although so very defective, had better continue until we radically change it.

Q. Why would not the allowance of indebtedness be just as injurious in a local sense as in a state sense; you say that you only refer in recommending that change to state purposes? A. I want to go so far as to say that the change should lead up to the local authorities determining for the purposes of their rev-

enue code that they want to establish, if you may call it a revenue code, and if in their judgment personal property was not to be assessed at all, they would have the right to do so, and if debts were to be allowed, they would have the right to say so.

Q. That is in the line of local self-government? A. Yes, sir.

Q. To have the local tax raised by local taxation, for instance, by legislation enacted by the board of aldermen of the city and county of New York? A. It does not need to be by the board of aldermen, although the constitution seems to require the local power to be in the board of aldermen, but you could propose a bill which would give us or the sinking fund commissioners power to prepare local laws for taxation purposes, and to cover your constitutional provisions have your board of aldermen sanction them.

By Mr. Mr. Coggeshall.

Q. Then in the rural localities the board of supervisors would do that? A. Yes, sir.

By Mr. Stranahan.

Q. Are you familar with the bill in the last Legislature and the one preceding introduced by Mr. Connolly? A. Somewhat.

Q. Does that embrace your ideas? A. It allowed localities to determine for themselves their tax, but still our present system would continue so far as the state was concerned.

By Mr. Coggeshall.

Q. Are you familiar with the listing system in vogue in some of the states? A. I have read of it, I think, in Massachusetts and Illinois.

Q. Have you any knowledge as to their practical working? A. I have not.

Q. Have you any idea as to that class of legislation in this state as to the effect? A. I think it would lead to more certainty if the listing system was adopted under our present general system, but I am not in favor of a listing system.

By Mr. Creamer.

Q. Coming back to the taxation of mortgages, you mention one mill, as I remember it, as being a fair tax; is it not a fact that bonds and mortgages generally escape taxation — that there is no taxation on bonds and mortgages? A. I don't know as it is; we assess individuals and are after them all the time whenever they own bonds and mortgages they pay upon them the same as any other personal property.

Q. Of the three hundred millions on your books, deducting corporations and bank shares, how much personal tax is there on the books? A. About one hundred million, I believe.

Q. Of that what proportion would you consider mortgages from your examinations; ten per cent? A. I could not give you any figures on that.

Q. Are there ten million out of the one hundred million? A. I would like to answer you, but it is impossible, for this reason, that in our examination mortgages may turn up and other things may turn up that are liable, and we don't question as to what the personal property is if we find the valuation.

Q. We will start again; the bank shares and the corporation capital, that is not bond and mortgage? A. No, sir.

Q. You say that is about two hundred millions? A. Yes, sir; I think of the three hundred million.

Q. Then, it would leave about one hundred million for all the personal property in this county? A. The resident personal here is $126,000,000.

Q. What year? A. This year, 1892.

Q. Nonresident? A. Resident personal; that means individuals.

Q. What is the aggregate? A. Three hundred and twenty-three million dollars.

Q. Of what is that made up? A. Insurance companies, $3,205,000; trust companies, $6,695,000; railroad companies, $29,327,000; miscellaneous corporations, $59,895,000; then nonresident corporations, $9,939,000; nonresident personal, $9,497,000;

resident personal, $126,619,000; shareholders of banks, $78,180,000.

Q. Then, the resident personal is $126,619,000? A. Yes, sir.

Q. And non-resident personal? A. Nine million four hundred and ninety-seven thousand dollars.

Q. That is $135,000,000? A. Yes, sir.

Q. Can not you and your colleague give the committee an estimate as to what percentage of that $135,000,000, because within that sum must be included the amount of bonds and mortgages assessed in this county, what percentage of that $135,000,000 is bonds and mortgages; is it one-half? A. It is impossible to state that.

Q. I should think that an examination of those who apply for an adjustment of their taxes would give it to you; is it ten per cent? A. I can not say as to what percentage it is; it might be seventy-five per cent; there is nothing to determine it.

Q. If it was seventy-five per cent bond and mortgages you would be placing the entire wealth of this city outside of bonds and stocks at $35,000,000? A. If that were so.

Q. That is not at all probable? A. Not probable; there is no telling, because, as I say, the question of the particular assets does not arise unless there is some doubt as to the testimony of the taxpayer; if we feel there is any doubt about his testimony, then we inquire as to the assets that go to make up that amount; as to the particular assets, we want to find out how much he is worth; it may be bonds of railroads or anything else.

Q. What I want to show is that in counties embracing cities, there are a very few corporations and banks in proportion to what exist in this county; that the amount of personal property assessed is quite large in proportion, and that this city, owing to those amendments made year after year no doubt, to the personal tax laws, while it is generally believed that a great share of the bonds and mortgages existing here pay some tax; that actually but a very small portion of the bonds and mortgages of this county do pay any tax whatever? A. That may be so and there would be a reason for it; in the first place, the banks loan very heavily on property in the city of New York — the savings banks — and they are exempt.

Q. How heavily would you suppose? A. Many, many millions; the reports will show that; then the life insurance companies, they have quite a market here for their loans on real estate, and go into it very heavily; there may be thousands and thousands of individuals that have loans, as there are no doubt, that are not residents here.

Q. Right there; those corporations, excluding the savings bank, which we do not propose to interfere with, notwithstanding that they can erect buildings exclusively for bank purposes, and very extravagant, some of them; some of those corporations holding those large sums in their assets on bond and mortgage, collect on an average about five per cent, do they not? They have collected as high as seven; in States west and south, they collect as high as eight; still they are exempted specially; do you think that it is a proper exemption? A. Speaking of life insurance companies?

Q. Any of those companies; I do not wish to refer to the life insurance companies any more than others. A. Read the question.

(Question repeated.)

A. I don't favor exemption of life insurance companies as a general thing; I don't know why they are favored by the State; I don't know of any other corporations that get such an exemption in the way of personal property.

Q. Now, as regards the hesitancy of capital to invest in bond and mortgage in this State and in this county particularly owing to this tax, that is really a myth; is it not true that a city bond on the corporation of this city can be sold in the market, even at a premium, at two and a half per cent? A. It is.

Q. Do you consider that there is much difference in the intrinsic value of a city bond of the corporation of the government of this city, and a first bond and mortgage on property within the limits of that corporation? A. No.

Q. There is very little difference? A. There is very little difference.

Q. And still the corporation of the city of New York can obtain all the money it wants at any time for two and a half per

cent, therefore, commissioner, do you think it would be a great hardship on capital invested here in first bonds and mortgages to the amount very likely of hundreds of millions to pay at least one-half of one per cent tax to the city and State? A. No; I don't think that would be a very severe tax.

Q. Or one-fourth say? A. The only difficulty about the four and a half and five per cent is this, that capitalists won't come in to the city of New York — certain capitalists, I don't say all of them — when they run the risk of having a two per cent tax levied upon their bond and mortgage, and it may leave, and I have not the least doubt it does to a great extent leave, the field in the way of line of bonds and mortgages very much open to the life insurance companies and the savings banks.

Q. Now, what remedy would you suggest concerning a manner of proceeding to place upon the tax books of the various counties of this State personal property liable to taxation; with your experience as to the effectiveness of this system you have already, wherein is it defective and what would you suggest as a remedy; that is one of the things that this resolution inquires about? A. The difficulties I have enumerated when I have spoken of indebtedness and liability of transfer — special preparation to regulate your affairs so far as this city is concerned on the second Monday of January, changing the situs of property and changing residence, all of these elements enter into the present condition of the taxation laws, and make them objectionable so far as the assessment upon personal property is concerned as against individuals; the remedy is in the general line that I have already given, so far as my judgment directs, in separating the local and the State system of taxation; as to the remedy for the present general laws and trying to amend them, I don't think it possible so that you will accomplish very much; you may make corrections that will lead to some benefits, but I do not think that it is possible to get over the difficulties that exist in relation to personal property assessments.

Q. If, for example, the relations existing between New York county and adjoining counties, Kings county and Westchester, where we find that in proportion the adjoining counties are

assessed and no doubt suffer from their proximity to the larger county in the matter of taxes, and the amount they get on their books; take those three counties located here in the metropolitan district, to enlighten us on this subject as to whether anything can be done there towards improving or increasing the power of your office to properly hold those after you assess them, I don't know whether your department is continuous year after year, but we will take 1891 or 1892; about how much did you assess personal property at to commence with? A. About a billion and a half, I think, or a billion and a quarter.

Q. About 1,500,000,000? A. About that.

Q. That is the amount you generally year after year enter on your books as assessed? A. Yes, sir.

Q. Do I understand those 10,000 parties that object are principally responsible for the reduction of that sum to 300,000,000? A. No, sir; we have 10,000 individuals; then we have three to four thousand statements from corporations in addition.

Q. That is what is the cause of the reduction from this large sum year after year entered on the books? A. Yes, sir; then we have about 22,000 shareholders of banks; they do not all come in; if they did it would take the whole year.

Q. When a citizen who has a personal tax notice that he is assessed on $50,000 appears at your office and his first claim is that he lives either in Brooklyn or Westchester, what is the proceeding generally now in vogue in your office in regard to this matter? A. The commissioner he appears before examines him under oath, and we inquire as to the general situation, as to whether he has a residence or any kind of a residence here; whether he has any business here, and such other information as from the beginning of the examination we can follow out, you know, from suggestions made by him; if we have any doubt about the question of his residence we may resubmit to a further examination by an assistant corporation counsel, so that he can be prepared for any defense that may be made on that question.

Q. Suppose that he sets up an answer that he pays elsewhere? A. It wouldn't make any difference with us.

Q. It doesn't make any difference? A. No, sir.

Q. Suppose in the end that it does, after you take his affidavit to that effect; there is no power in your board to ascertain anything further in relation to him, is there? A. We have a right to examine him on anything and everything relating to the question of his residence, and we do put him through.

Q. Then you think you have full power in those cases; that the law gives you full power to hold or punish any person making a false statement at your office as to the residence and his liability for taxation? A. I have no suggestion as to how you should correct the law so as to make it still stronger in the question of punishment as to non-residence of one claiming non-residence; if, of course, the question of residence is a mere matter of jurisdiction, as the courts have often held, no matter how we may hold it is a question of jurisdiction, and the court takes another view of it; that settles it.

Q. Can you give me your opinion as to whether you think the law is broad enough which gives you authority to examine, so that after you have administered the oath to the party, and you find that he has sworn falsely as to his residence, that the law is sufficiently broad to warrant a criminal proceeding for punishment? A. I think the law is broad enough for examination; as to what the criminal code says as to punishment in a case of that kind I am not able to say, but let me say here, the question of residence is based somewhat, upon the present statutes, upon the place of business; if a man has one or more residences, and has a place of business, the place of business is to be the determining point; that is the residence under our present statutes; now, whether that might not be added to by which we might still further determine his place of residence is a question; I have an instance in my mind of a person who had three residences, one here, one in Jersey and one in Newport.

By the Chairman.

Q. Who prefers to be taxed in Newport? A. I don't know where he prefers to be taxed, but he don't prefer to be taxed here; the question arises as to where his residence is; he claims to be a

resident of Jersey, because he has a farm there with three or four or five hundred cattle, and we had a very full examination of that individual, and concluded to hold him; that he claimed to be his business, as farming the land; he is president of a very large corporation in the city of New York, and on that ground we held that his place of business, which we believe to be his actual business, we held him to be a resident; now, that don't involve alone the question of his individual liability, because he happened to be a trustee of a very large estate; it involved a settlement in relation to that trusteeship.

By Mr. Ahearn.

Q. Have you ever had a case before you where a man has made fraudulent statements as to his residence? A. No, sir; there are many men claiming residence which we reject, and who pay under that.

By Mr. Coggeshall.

Q. There has been no appeal from your decision? A. No, sir; they held.

By the Chairman.

Q. It would be a fair assumption then that the statements so made were false? A. I don't know; he might conclude that he might prefer to pay in the city of New York.

By Mr. Coggeshall.

Q. The rate of taxation, how has it been with reference to the increase of real estate or personal property; which has shown the greater increase? A. I think real estate is showing the greater increase proportionately; I would not be able to say; we are increasing both here.

By the Chairman.

Q. As a matter of fact, there has been a decrease in personal property, hasn't there? A. Not since I have been in the office; it has been growing since 1883, but there was a very sudden and large decrease some three or four years before I went in.

Q. As a matter of fact, is it not less than twenty years ago? A. I believe it is.

Q. The personal assessment-roll? A. I believe it is.

By Mr. Creamer.

Q. You can suggest nothing to remedy the fact of the difference between one thousand, five hundred million and three hundred million; has nothing occurred to you during all those years; there must be some suggestion that you have often thought of that you can give to this committee as to what remedy there is for this wholesale evasion of the law by persons claiming to reside in an adjoining county or adjoining States, or not paying taxes anywhere, or having, as you say, two or three residences; is there nothing you think of now to suggest to the committee? A. I can not give you anything to change the present system that would in my judgment result in any benefit other than to radically change it as I have said.

Q. As regards the assessment of real estate you have a general rule in the office, I suppose; what is the character of the rule that you adopt to govern the deputies; that seems to be a subject here to inquire into by the committee; I mean applicable to the entire county? A. There is no special rule; under the statute the deputies make the assessments.

Q. The commissioners, of course, revise and instruct the deputies what the law is? A. Yes, sir; give them general directions each year for equalization, and so forth, and the deputies make their reports and swear to the returns.

Q. Is there any difference in the course pursued between dwellings and business properties, or other properties, unimproved, business or dwellings; is it equally applicable to all alike? A. I know of no distinction.

Q. Is there any suggestion you have to make in regard to the assessment of real estate? A. Any difference in the methods?

Q. Is there any suggestion you want to make to the committee on that subject? A. I don't think there is anything I can suggest.

Q. I notice that the resolution refers to assessments for improve-

ments in different sections of the city; is there any suggestion you desire to make to the committee as regards that? A. No, sir; that is a kind of independent body, although we have the power of appointment, as we are an independent body.

Q. There has been a wholesale depletion of the treasury as regards those assessments in the last ten years; has that ceased? A. That seems to have ceased.

Q. That continued many years, and according to your knowledge it has ceased? A. Yes, sir; they meet the question now before it becomes practically an assessment in the board for the confirmation of assessments.

By the Chairman.

Q. This question of assessment for local improvement is regulated largely by the local authorities, is it not? A. Yes, sir.

By Mr. Creamer.

Q. Have you any idea as to the amount of personal property existing in this city held by residents abroad who rarely exercise their citizenship by visiting the country? A. I know that there are such, but how many I would not be able to say.

Q. What method have you adopted the present year towards making up or correcting your personal tax list? A. The deputy of the personal department takes all the information that he can get, either through the system of directories or knowledge that is brought to him by individuals or otherwise in making up his lists year after year as to residence and nonresidence.

Q. Your deputy having charge of the personal tax bureau makes up the list, generally taking the old list as a basis? A. The old list as a basis and the directory or other information that may be given to him as to individuals.

Q. Has any effort ever been made to ascertain who the nonpaying personal tax people are outside of the State, outside of the country, still having property within this State? A. We very often put them down on the list and make an examination if they turn up; if they do not, we find an affidavit from them claiming nonresidence; we may give credence to it, or may

hold them and let them go into court and determine the question of their liability; it depends upon what facts they may give us showing the question of residence in their affidavit, in other words, how full it may be.

Q. Some members of the committee did not hear your answer as regards what remedy you would suggest to reach those people, those nonresidents, both in respect of counties and in respect of countries? A. I have not considered that question sufficiently to be able to suggest a remedy to-day, because it is a very difficult subject to be able to overcome, I think, the question of residence; the fact of the matter is, for a number of years past, I never dreamed it worth much to send any suggestions to the Legislature, because I felt that the Legislatures were not inclined to support whatever might be suggested coming from the city.

By Mr. Quigley.

Q. Have you any right, now, to collect any personal tax on personal property in this city which is owned by a nonresident? A. Invested; yes, sir; we have.

Q. Uninvested? A. Uninvested; no; to keep within the language of the statute itself, it is sums of money invested in business; that is the Statute of 1885.

By the Chairman.

Q. You think injustice has been done the city by reason of the failure of the Legislature to act in the particulars you have just been discussing? A. Yes, sir; I think the city has been suffering under injustice a long while.

Q. Your board very frequently meet, don't they? A. Yes, sir.

Q. And yet the commissioners of taxes have satisfied themselves that they have done their part simply because the Legislature they did not believe would act if they made any recommendation? A. I do not speak for the board; I am speaking for myself; we might disagree in the board what would be best to suggest.

Q. The board has not in recent years made any recommendation to the Legislature? A. No, sir.

By Mr. Coggeshall.

Q. Did they ever as a board? A. Yes, sir; but not in my time.

Q. You have individually? A. Yes, sir.

Q. You may have made suggestions to individual members of the Legislature, but have you made any communication to the Legislature? A. Yes, sir.

Q. That is, as to the law of 1854? A. Yes, sir.

Q. The bill you submitted, you submitted to some one who represented the city? A. Yes, sir.

Q. And it was introduced and that was the last you heard of it? A. Yes, sir.

Q. So that the only effort that you know of made by your department was when you tried to have that law changed A. No; I don't think that is the only effort; I think Mr. Coleman made one or two suggestions at different times; I don't know as I agreed with him as to the facts.

Q. Don't you think that with the consciousness that the law was defective, and that the interests of the city were suffering, it was the duty of the tax commissioners year after year to have insisted that the Legislature should afford relief? A. That is, if we agreed; yes.

By Mr. Coggeshall.

Q. The trouble was that the House has been divided against itself; the commissioners have not been able to agree upon a plan? A. No, sir.

By the Chairman.

Q. Are we to infer from your statement that the board of commissioners do not agree that the law is defective? A. No, sir.

Q. Then you disagree as to the remedy? A. Yes, sir.

Q. You don't know where that bill that was introduced by Connelly came from, do you? A. No.

Q. It did not come from the board? A. No; from the single tax body, I understand.

By Mr. Quigley.

Q. I understand you to say that you have the right to tax personal property invested in this state belonging to non-residents; now, what is the use of a non-resident claiming to be a non-resident in such a case? A. There is not any in such a case.

Q. What does your board do in case you find property invested in business? A. We hold them; that is partly the sum I have given of $9,000,000.

Q. I understood you to say that as soon as you discovered such property they came in and claimed non-residence. A. That is the question of the residence, if he don't have any property here; if we are claiming him as a resident we are putting him on the roll as a resident no matter where his property was; taxing him as a resident.

Q. You have a right to tax property no matter to whom it belongs? A. Yes, sir; if we assess him as a non-resident; non-residents within the state too, by the way.

By Mr. Creamer.

Q. Have you read the recent report of the State Board of Equalization — their last report? A. I don't think I got that; I am not sure whether I did or not; I think I did.

Q. From your experience what do you think of their claim that there is four thousand million of personal property in this State escaping taxation; what proportion of that four thousand millions escapes in this county? A. I can not say that there is any of it escaping taxation; what proportion of that four thousand millions you eliminate the question of debts entirely then you may be able to get a very large amount of person property taxable.

Q. You don't think there is any escaping? A. Under the law, no; whatever the law allows to escape in the way of debts and transfer of securities temporarily and so on.

Q. And sworn off? A. By which they are able to swear off; there might be many millions escaping and no doubt there are.

By the Chairman.

Q. If personal property fails of assessment by fictitious debt, is not that escaping taxation? A. The Court of Appeals don't say it is fictitious debt; it says the authorities have no right to inquire into the indebtedness so long as a party swears it is a debt; you may, and the conscience of the man may say it is fictitious debt, but the Court of Appeals has sustained that.

By Mr. Guenther.

Q. What do you think as to an amendment to the law permitting you to inquire into the nature of the debt? A. We do that, and we claim, notwithstanding what the Court of Appeals says in regard to it — we claim that we have the right and do inquire into the kind of debt, and very often hold people on debts which they claim to be debts, and which we say are not debts, but merely a liability.

Q. How do you get at the amount of bonds and mortgages held in New York city? A. We do not get at bonds and mortgages personally, because bonds and mortgages are no different to us than any other personal property; we assess the individual on his personal property.

Q. You get at the facts as near as you can? A. Yes, sir.

By Mr. Creamer.

Q. Does the record in the census reports treat of bonds and bond and mortgage is on record don't make him liable.
bond and mortgage is on record don't make him liable.

Q. Don't make him assessable? A. Yes, sir.

Q. When you find parties swearing off on the ground that they have a certain debt, do you make any effort to find out by whom that debt is owned? A. Yes, sir; we have sometimes, if it amounts to anything.

Q. Do you assess that against that party? A. We can not unless he is on the roll; we do next year; the time has gone by.

Q. If a man came in there and made a statement and perjured himself, are there powers vested in you to hold him for perjury; wouldn't it have a tendency to keep those people from coming there and making those statements? A. It might be.

Q. If the law was changed, giving you power to hold him criminally? A. It might.

By the Chairman.

Q. Are you not authorized by law now to administer an oath? A. Yes, sir; and examine.

Q. Then if you have reason to believe that a party has sworn falsely, all you have to do now is to make a complaint against him? A. Yes, sir.

Q. So that as a matter of fact the law is broad enough to-day on that point? A. As to that question I am not versed enough to be able to say as to whether it is broad enough or not; I am not in the criminal law business and never have been; I don't know how far the criminal statute goes in that respect.

Q. Have you ever known of any case where any party has been punished? A. No, sir; I never have.

Q. Has it been your practice to assess those debts on the parties holding them on the next year's roll? A. We have done it.

Q. Have you been successful in collecting the tax on that debt in the following year? A. I don't know whether we followed it up so closely as that; we give the names to the deputy and it goes in.

Q. Then if the parties should come in and claim the debt was canceled on the following year, would he evade the payment on that account? A. If the debt actually was canceled on the second Monday in January; our taxable condition day is the second Monday in January; whatever the condition of the individual is on that day he is liable for.

Q. Have you any suggestions to make by which you can get at that amount on property by any amendment to the law? A. As it is, the assessment is against an individual; I don't know what I could suggest to cover the point as to holding an individual that is non-resident.

By Mr. Coggeshall.

Q. Would the general listing law, such as I have referred to, such as the laws of Ohio, Pennsylvania and Massachusetts, reach those people and their assets? A. Of course that would bring out whoever were indebted to them; in that way it would be of service.

By Mr. Quigley.

Q. You say that at a certain period you make up this roll? A. Yes, sir.

Q. What would you think of an amendment to the law which would allow you at any time within a year to place the name upon the assessment of the individual to whom this debt is owed, and collect the tax accordingly; what would you say to such an amendment as that? A. It would not do at any time within the year, but it might at any time which we have for making up the roll, which would be up to the thirtieth of April; for instance, I think such an amendment as that would be good, because what information we might derive from examinations of individuals we could add to our lists in the meantime.

Q. Would not that enable you to collect upon a great deal of this property which represents the difference in the amount you name and the amount you collect? A. I don't think it would make a wonderful difference in the amount; I do not.

Q. Why not? A. That would only apply to debts; I don't think we find out anything additional of any account other than indebtedness owed by somebody to somebody.

Q. Is it not a fact that a large amount of the personal tax avoided in this county is avoided by swearing it is a debt? A. Yes, sir; and practically two-thirds of this indebtedness in the city of New York will be indebtedness on bonds and mortgage which are not taxable because they are in the hands of a non-taxable organization.

Q. Then this amendment to the law would be no remedy at all? A. I think it would be an improvement.

By Mr. Creamer.

Q. You say they are in the hands of untaxable corporations? A. Yes, sir; I mean banks and life insurance companies.

Q. Surely life insurance companies and banks can not commence to hold one-tenth of the bonds and mortgages in the city? A. Yes, sir; I think so, and a good deal more.

Q. What is your idea of the total amount of bonds and mortgages in the city of New York? A. I think it amounts to nearly our whole assessed valuation.

Q. One thousand five hundred millions? A. Yes, sir.

Q. You know that the bonds and mortgages held by banks and life insurance companies would not cover over one-third of that? A. We are drifting into figures which I am not familiar with; I would have to look that up; if you want it looked up I will give it to you.

By Mr. Hamilton.

Q. The State board of assessors, in their last annual report, submitted to the Legislature in 1892, make the following statement: "The following cities have increased their real estate valuations last year $103,395,195; in personal property New York loses $2,703,979, Brooklyn loses $628,469, Buffalo increases $747,115, and Rochester $369,317." How do you account for that? A. I think it is partly accounted for by the fact the law of 1886 exempted insurance companies upon their assets, and you know this year the act was amended by which they were made liable again; that will fully account for it; if I had the figures here of our department I think I could explain it; I have not got the figures of 1890; our figures of 1893 are not complete yet.

Q. You estimate 1893 at $323,000,000? A. No, sir; that is 1892 fixed.

Q. Then the year previous was that? A. Eighteen hundred and ninety-one as compared with 1892 was 321,000,000 as against 323,000,000.

Q. You don't correspond with the official paper here? A. That may happen in this way: The corporations that are directly liable

to the State Comptroller for their tax, the amount that we assess upon them is taken out of the general total, because they are already assessed directly in the State board's figures, and might not agree with ours in that respect; do you see what I mean; that increase may be greater.

Q. Why would not the same cause operate then in other localities, Buffalo for example? A. We have started with about $28,000,000 of deduction from the State as corporations liable directly to the State, and now we have got up to $78,000,000 of valuations in the city of New York, so that you can see that a difference of one or two millions would not make much so far as this State is concerned in assessing its valuation upon the personal property of the city.

Q. Now, this is for general purposes, these statistics here show that in that year New York city lost the amount I have stated. A. I can not give you any better illustration than this; we have raised for 1892, $323,000,000 of personal property, which will go into the figures that the State board will fix our tax upon for next year; of that sum, 323,000,000, seventy-eight, about that, will be taken out for State purposes, because it represents the value we have fixed upon corporations that have already paid a tax to the State Comptroller, now the more that valuation is increased, the less it makes a balance for the State to collect this general State tax upon, and it is in that connection we may have lost something for the State to assess State taxes upon directly than it is upon the loss of a total valuation in the State; do you see what I mean?

Q. Will you furnish for us at the next hearing the number of persons assessed for personal estate? A. It is about 22,000 outside of the bank shares, and that is about twenty odd thousand.

---

The committee then went into executive session.

The sergeant-at-arms reported that he had conferred with Mr. Gilroy, the commissioner of public works, but that an arrangement had not been definitely reached as to the assignment of a room in the city hall for the future meetings of the committee.

Mr. Quigley moved that the stenographer be directed to furnish a copy after each hearing of the minutes taken to each member of the committee and also to each of the counsel.

Carried.

It was moved that when the committee adjourn it be to meet again on Tuesday, December twentieth, at 1.30 p. m., at a place to be agreed upon hereafter.

On motion the meeting adjourned.

---

Meeting of Joint Committee on Taxation.

New York, December 20, 1892.

Superior Court, Part 2.

The committee met pursuant to adjournment.

The meeting was called to order by the chairman.

Thomas L. Feitner, being recalled, testified as follows:

By Mr. Creamer.

Q. The committee requested you to bring certain papers at the last meeting; have you brought them? A. Yes, sir.

Q. The first request was in relation to assessments on personal property; what was the assessment in 1872? A. The comparative statement of the assessed valuation on real and personal estate, on page 471 in the report of the tax commissioners of the city of New York, shows that in 1870 the total personal then was $305,317,000.

Q. What did that include at that time; has anything covered by that assessment been since exempted by law? A. I don't remember anything that has been exempted specially since then; the true situation is this, at least that is what I have been informed; of course, it was ten years and over after that that I asked the department, but the city then had put on a very large number of individuals, and although they did not appear and had nothing in the way of personal property, they allowed the record to go against them, and the loss to the city was large.

Q. The loss? A. The loss to the city was very large because

they were not able to collect as those individuals did not have any personal property.

Q Was it larger than if they had not been put on at all? A. Yes, sir; because they allowed the assessment to stand.

Q. How did the city lose? A. Because they were not able to collect.

Q. Suppose the names had not been put down? A. If they had not been put down then the assessed valuation would have been so much less — whatever was assessed as against those individuals.

Q. What was it the next year? A. Three hundred and six million dollars; I gave the round millions without the thousands.

Q. Your answer would indicate that there was a large business in the office of the counsel for the collection of arrears in the tax; does the record show that? A. I understand it does.

Q. You have no figures on that? A. No, sir.

Q. Notwithstanding, this defect in the enforcement of the law was apparent from the manner in which it operated; the same amount was still continued in 1871? A. Yes, sir; and 1872.

Q. With the same result? A. Yes, sir; and 1873; then they began to fall off.

Q. What was the assessment in 1872? A. Three hundred and six million dollars again; about the same amount; and 1873 it was $292,000,000; then it began to fall off.

Q. That was the year of the panic? A. Yes, sir; that may account for it partially.

Q. The law was the same concerning what you would place on the assessment-rolls of personal property then as it is to-day, to your knowledge? A. Yes, sir; to my knowledge; I do not remember any difference.

Q. No difference? A. No, sir; I think we were acting under the laws of 1851 — the general provisions of that law.

Q. What was the assessment on personal property in 1891 — twenty years later? A. Three hundred and twenty-one million dollars.

Q. In 1890? A. Two hundred and ninety-eight million dollars.

Q. Less than it was twenty years previous? A. No; it was $305,000,000 in 1870; $306,000,000 in 1871; it is $323,000,000 now.

Q. I am speaking of 1890; what was it in 1890, twenty years later than 1870? A. $298,000,000; it was down to $198,000,000 in 1882; in 1883 — I entered the department in May after the work was done — it was $197,000,000; in 1884 it went to $218,000,000; then it went back to $202,000,000; in 1886 it was $217,000,000; in 1887 $253,000,000; in 1888 $250,000,000; in 1889 $272,000,000; in 1890 $298,000,000, and in 1891 $321,000,000.

Q. In 1892? A. Three hundred and twenty-three million dollars.

Q. Then, the assessment entered this year is about $18,000,000 larger than it was twenty years ago, and the law is the same to your knowledge? A. Yes, sir; as far as I remember; I do not remember any amendment to it of any account to affect it one way or the other.

Mr. Creamer.— I would especially call the attention of the committee to this significant fact, that the commissioner testifies that under the same law, the amount assessed in 1892 is almost the same as it was twenty odd years ago — twenty-two years ago.

Q. Now, can you give any explanation as to why it is that, notwithstanding the natural growth of the wealth of this city, which is admitted by all, that nevertheless the assessment-rolls do not keep pace with the progress of the day? A. The only reason that I can give is the opportunities given by the law in relation to the creation of debts for the purpose of evasion, and opportunities given by law about changing of securities.

Q. But that law existed in 1870? A. The same law did, but there has been a decision of the Court of Appeals since which holds that a debt created by a taxpayer was something to be allowed without the right of inquiring by the tax commissioners, as long as it was sworn to as a debt.

Q. How recent was that decision; was not that always the law without decision to interpret it? A. I don't think the commissioners interpreted it in that way; before they undertook to inquire as to the debt, and they do even now, notwithstanding the

Court of Appeals decision in that respect; we think we have a right to inquire as to the nature of that debt.

Q. Have you the amount assessed on real estate there in 1870? A. In 1870, it was $742,000,000.

Q. In 1890? A. One billion three hundred and ninety-eight million dollars.

Q. Almost doubling? A. Just about; yes, sir; almost doubling.

Q. While personal decreased between those periods from 1870 to 1890? A. Yes, sir.

Q. How do you account for the neighboring county of Kings that from 1880 to 1890 doubled the amount of its personal assessments, while New York has remained stationary, under the same laws and the same decisions? A. I can not account for that in any other way than the determination of the department here to try to enforce the law, and in the enforcement of the law they have compelled some corporations to go to Brooklyn.

Q. Have you known of any cases where owing to the tax laws that has been done? A. I have heard of many cases in my experience.

Q. They go where the tax rate is higher? A. They go where they, as far as personal taxation is concerned, get on for less.

Q. Is it really true that there are such cases called to your attention? A. Yes, sir; they have been in my time; it was only the other day we had a special corporation come in; the attorney for the corporation said that the office was over in Brooklyn; their stock, I believe, was $100,000, and we were given to understand that the assessment over there would be considerably less; we told him we had nothing to do with that question; that we assessed here under the law; he could do as he pleased.

Q. When they move their business there you can not reach that, of course? A. The question of business in relation to corporations is a very nice question; their taxable status exists where their principal office is under their certificate of incorporation; the courts have so held; in some cases although a corporation may have an actual business office some other place yet they are taxable at the office where the certificate designates the principal office.

Q. How did you say the personal tax rolls are now made up year after year? A. The assessment is made by the deputy who puts in the whole amount of the capital, so far as corporations are concerned.

Q. And individuals? A. And individuals, as high as in his judgment may seem proper to make an assessment that will be equal, and what their personal property may consist of taxable, and then corporations file a report of their condition with us, and these reports the commissioners go over and determine the final amount of assessment upon the corporation, giving them their legal deductions, such as real estate, whatever they may own, and non-taxable assets.

Q. His action is reviewed where complaint is made, is that it; where there is an application for review, those are the cases where you inquire? A. Yes, sir.

Q. Why does all this duty devolve on one deputy for the entire county? A. As a matter of administration we think it is the best kind of administration in the city.

Q. What does the law say concerning how personal property shall be assessed in the county? A. It shall be done by a deputy who shall make his report.

Q. By wards, is it? A. The assessment is made by the deputy under the designation of wards.

Q. Has he any knowledge of what is transpiring in the different wards of the county or city with a view of making up an intelligent assessment-roll? A. In some respects a great deal more than anybody else may, because it is his duty to make investigations and to make inquiries.

Q. Does not the law read that the deputies for the entire department shall make up the assessment-roll for personal as well as real estate in their respective districts? A. So they do as far as their districts are concerned, the deputies for the real estate department make up their assessment for the roll and the deputy for the personal makes up his.

Q. Is there a deputy for the personal property in each district? A. No, sir.

Q. Does not the law require that the same person shall make up the personal? A. It does not; the courts have held that it does not.

Q. Have you read the law of 1892? A. Which do you mean?

Q. On the question of taxes as to how assessment-rolls shall be made up? A. No; I do not know that I can say I have, although I have looked over the session laws of 1892, but I don't remember noticing anything of that kind.

Q. Now, commissioner, you are familiar with the history of the tax department I have no doubt? A. Somewhat.

Q. Have the personal tax rolls always been made up in this manner by single deputy? A. They have since I have been connected with it, and it has been for a number of years before that; how long before that I do not know, or what the change was previous.

Q. How many deputies have you in the office now for the assessing of property real and personal? A. About thirteen, I think, altogether.

Q. Have you any knowledge of the manner of assessing and the conducting of business in the office say one-quarter of a century ago? A. I understood that a quarter of a century ago the deputies of each district did make the personal assessments.

Q. Or wards? A. Or wards.

Q. At one period they were all elected by the people by wards — the ward assessors — were they not? A. So I understood.

Q. Thirty years ago we had in this county an assessor for every ward in the city, twenty-two wards, thirty years ago? A. So I believe.

Q. To-day there are but thirteen in the city; what do you think in reference to that deficiency? A. I think there are opportunities for improvement in the way of the number of deputies; the districts are very large, and by the increase of deputies they would undoubtedly be better work in a general sense, although I think the work is very fair, take it all in all; the distances in certain districts, as I say, are very large, and there is room for improvement by making them smaller and giving the deputies more time to fully consider the valuations in districts.

Q. Do you think the salaries of your deputies are appropriate compensation considering the necessary qualifications to fill such a place? A. I do not; I have always been in favor of increasing them.

Q. Then you think the number not large enough and the salaries out of proportion? A. Yes, sir.

Q. To perform this most responsible duty of assessing property values in this county? A. Yes, sir.

By the Chairman.

Q. How much are they paid now? A. Twenty-seven hundred dollars; that is, the deputies for real estate, and the deputies for personal property get $3,500.

By Mr. Creamer.

Q. Are you familiar with the manner of conducting the tax office in other large cities, say Boston, Philadelphia or Kings county? A. No, sir; I do not remember; I have read their reports off and on years ago when I first entered the department, but I don't remember exactly now how they are regulated.

Q. Are you aware of any other cities that employ a larger staff and give them a much larger salary than is given in this county? A. I am not aware of it now.

Q. Are you familiar with the amount assessed on tax-rolls in Boston, Mass.? A. I could not give you the figures now, but I was three or four years ago.

Q. What is your recollection, so as to make a comparison as to how it works, take personal? A. I could not say.

Q. You have no recollection about any other city or state? A. I don't remember the figures; I remember sending for reports from those different cities and different cities of this State, to Philadelphia, etc.—getting their figures—may be five or six years ago, but what the figures are now I wouldn't be able to say.

Q. Now, as regards your personal tax bureau, don't you think it is entirely too much work to impose on one deputy at a salary

of $2,700 a year, to assess property admitted to be worth $1,700,000,000 personal, in this county? A. That deputy gets $3,500.

Q. Even at that; don't you think the amount of labor is too much; how many names are on the personal tax book this year, including corporations, bank shares and individuals? A. I think it is about 50,000 altogether, taking them all, shareholders of banks, etc.

Q. Have you any record there? A. There is a record here, yes, sir; those are the figures for 1890; the net is 13,809 on personal book, and 20,977 on shareholders of banks, and there can be added to that 13,000 more sworn off on personal book and about three or four thousand on shareholders of banks.

Q. And then you have altogether of personal and shareholders how many thousand? A. About 50,000, and corporations in addition, about 3,000.

Q. Fifty-three thousand? A. Yes, sir.

Q. Do you remember how many names there are on the real estate books? A. No; we do not assess according to names; it is the piece of property we assess.

Q. Does not the law require it; why can not you have it done? A. I know of no reason why it should not be done.

Q. Does not the law say it should be done? A. Not in this county.

Q. You will find by reference to the law it clearly so states? A. Under the general statute we would assess by blocks and ward numbers.

Q. Have you read the laws of 1892 concerning that subject? A. I have not; we were speaking about it a week ago.

Q. You have not read the law of 1892? A. No, sir.

Q. You will find that that requires that the names should be entered, and as you say you do not see any good reason why the names should not? A. It has always been something that I tried to encourage, having the correct names against every piece of property.

Q. Why is it not done; for a lack of appropriation? A. Well, no; but the ownership changes, and as it didn't affect the amount

of the assessment, the department has got into a routine of not changing the name unless the proper owner came in and requested it; in that way the name was changed; of course, that is very often done.

Q. You take business property down town, say below Chambers street here; property does not change hands so often but what a few clerks could track of it? A. I think it is an advisable thing to do; I have encouraged it by calling the attention of the deputies off and on.

Q. My questions are based upon the theory that the staff of your office does not lack efficiency near as much as it does numbers, and that a change in that respect is necessary before good results can be expected from any movement made towards reaching personal property? A. I think the department has been unanimous ever since I have been in it that an increase of numbers and of salary would be more beneficial to the department, but the difficulty has been that the city government has been run on a very economical basis, and whenever we speak of increasing we are met by the board of estimate and apportionment desiring us to keep as low as possible in our expenditures.

Q. Then all this cry concerning the impossibility of reaching personal property in order to assess the owners rests on this one deputy principally, whose duty it is to assess it in accordance with whatever information is within its reach, and that it is what the local government relies on for the purpose of carrying out the law concerning the assessment of personal property, including whatever they assess against corporations, banks, etc.? A. Yes, sir; I may say as far as individual assessment is concerned, that is held altogether in the hands of the deputy, because so far as corporations are concerned the assessment is put so high that they are compelled to make a return, and those returns are in the nature of applications for reduction, and passed upon by the commissioners themselves.

Q. You stated last week that you thought the imposing of a State tax of one mill on bonds and mortgages in this State would go far toward paying the State expenses? A. Yes, sir.

Q. Have you figured on that to see how much you could reach by assessing bonds and mortgages that amount? A. I have not; but I am satisfied from my experience that bonds and mortgages all over this State will be equal, if not more than the assessed value of real estate; then consider the fact that a great many pieces of property have no mortgages on them at all, and in addition to that it would take in bonds and mortgages of corporations.

Q. How much assessment is there on personal property in the State this year? A. I understand the rate to be one and ninety-eight hundredths.

Mr. Creamer.— Mr. Chairman, I want to call the committee's attention to the fact that if there was any change in the law it would have to be a much larger sum than one mill, because one mill would only produce, according to the entire amount now in the tax books, about $300,000 in this county, and in the entire State not over $500,000, and if we deduct from that the amount held by corporations in bank shares, of course, the amount would be insignificant.

The witness.— I am not supposing that it would be sufficient to raise that tax. I have also given you estates. I wish to express here the principle that I have thought of in mind in relation to estates. The law compels an executor or trustee to invest in certain securities for the protection of that estate. Now, why should the law put a tax upon the capital in the hands of executors and trustees, restricting them in one sense and making them pay equal to any other personal property in the hands of individuals who can invest it and make considerably more out of it? And upon that theory, I say that the State ought to take estates and assess them at a small ratio of percentage of value and exempt them for local purpose. As between those two I am satisfied so far as my experience and general judgment goes with those small additions that you now already have in expenditures as the collateral inheritance tax, an this small tax upon corporations for State purposes, will raise the whole of your State tax.

By Mr. Coggeshall.

Q. How much do you estimate the aggregate value of the bonds and mortgages of the State to be? A. I want to say here that my general judgment is that I am satisfied that the amount of bonds and mortgages upon lands in this State is equal to the amount of values of land for taxable purposes.

Q. How much is that in round numbers?

Mr. Creamer.—For 1891, 3,931,000,000.

Q. Is it not a fact that it is very difficult to reach bonds and mortgages? A. The question is then as to the system of doing it; I might give you the line of thought to adopt a system, and to that line of thought I think a system can be adopted; for instance, one of the thoughts in my mind is that the register when the mortgage is filed could collect the first year's tax, sending the amount of the bond and mortgage and the individual either to your State Comptroller or a special department, if you are going into this system for the purpose of collecting State taxes, such as the board of equalization, who may determine the taxes and assessments, if they please, to be collected under this new system; that was one line of thought, then having received the name and so forth; make it a lien upon that mortgage, so far as the disposal of that mortgage is concerned, this shows whether every year's tax is paid regularly, and it can not be satisfied of record until the tax is paid.

By the Chairman.

Q. Do you suggest the continuation of the assessment on the full value of real estate and then also tax the mortgage? A. Yes, sir; that is capital invested in land.

Q. Wouldn't you consider that a double tax? A. I would not, and I do not and never did.

Q. The owner of the fee would be paying a tax on the full value of the land, and then the mortgagee would be paying a tax also on the amount of money invested? A. Secured by the land; yes, sir; suppose that mortgage was paid off, say it was

a $100,000 mortgage; that would be taxable in some other way so far as it would have to be invested in taxable assets; it would be taxable some other way.

By Mr. Coggeshall.

Q. What do you think of making personal property liable to taxation for its full amount, without any deductions on account of alleged indebtedness, the same as real estate is now assessed? A. Well, my thought is that in the present system you ought to allow the deduction of indebtedness.

Q. But, as to real estate as well as personal property? A. No; if you get into that condition of affairs, you will find that you will never be able to raise any taxes for local State purposes.

Q. Why should a man who has $100,000 of personal property that is yielding a good income be permitted to go before the assessors and on a state of facts which he claims be permitted to deduct say $75,000 of that amount and the man who owns real estate, and there are on that real estate mortgages for the same amount; for instance, he owns $100,000 of real estate, and it is mortgaged for $75,000, why should he be required to pay taxes upon the full amount without any deductions, while the man who owns the personal property is permitted to deduct $75,000? A. Real estate security may be put upon anything else; it may be on chattels; it would make no difference; the bond is the capital which is the thing that is taxable; because a man happens to secure his indebtedness don't make the real estate man pay that debt.

Q. But you make the real estate owner pay taxes to the full value of the real estate without any deductions, whereas the man who owns personal property gets a deduction? A. I suppose the theory of it all is this, that the State has satisfied itself that it could not collect its taxes with a certainty except by taking real estate without any deduction for debts, because they say we will assess the individual that owns personal property upon that which he actually owns and nothing else.

Q. But the same rule does not obtain as to real estate? A. No, sir.

By Mr. Guenther.

Q. Isn't it because real property is considered better than personal that they draw that line? A. I have always thought it was because of the certainty; you must have as much certainty as you can get at and real estate is certainty.

By Mr. Coggeshall.

Q. It is an absolute fact, however, that a large proportion of the agricultural lands of the State are far from being profitable and the average farmer suffers? A. That is one of the reasons why I suggest that the rate should be so low on bonds and mortgages so that it would not affect, as it naturally would, if you would raise it, the question of interest for the farmers or for anybody else; one mill or ten dollars upon ten thousand would be such a low rate that it would not frighten capital from coming into the State, nor would it affect the interest on the part of the lender.

By the Chairman.

Q. If I understand you right, your scheme would not give the farmer any relief because he would continue to pay on the full value just the same; you add a tax to the mortgagee, who may be a banker or business man; that would be an additional burden to him, but it don't give any relief to the farmer. A. No more than the State tax would be all raised that way.

By Mr. Gifford.

Q. Is it not a fact that State taxes are but a drop in the bucket compared with the local taxes in those matters, and is it not just that the owner of real estate should only pay upon ownership the same as the owner of personal property and nothing more? A. That is my point; then it relieves the people of this State so far as regulating the system of taxation in the respective localities, where that system don't apply, and it makes the people look to the taxation in their immediate localities, and if they are paying more taxes there than they ought to, then they ought to take charge of the people responsible for it.

Q. Doesn't a real estate owner pay as much after the mortgage is placed upon the real estate property as before? A. Yes, sir.

Q. He has contracted a new debt, has he not? A. Yes, sir.

Q. But the value of the real estate, at least the amount of the real estate, is not diminished any by the fact that the lien is put on it? A. Not at all.

Q. Then after the lien is put on the real estate we have a certain amount of real estate and a certain amount of personal property, which is a debt owed to somebody? A. Yes, sir; and it could be made on chattels as well as on real estate.

Q. Real estate is the security for the bond? A. Yes, sir.

By Mr. Coggeshall.

Q. Bonds as a matter of fact, while they are an evidence of indebtedness, as a matter of fact, they represent and are really so much money? A. Yes, sir.

Q. And upon those the parties owning them, in your judgment, should be assessed? A. Yes, sir.

Q. And under our present system we are not able to reach them as they should be reached; now, can you suggest any legislation that will reach those bonds and mortgages? A. By assessing them and not allowing any deductions for debts, no matter in whose hands they are, no matter whether a resident or non-resident.

Q. We have now a law which undertakes to reach them but does not? A. No, sir; now you allow a deduction for debts.

Q. That you would remove? A. So far as such capital is concerned, then you are assessing only two or three lines of capital in which you do not propose to allow any debts; determine first whether or not you shall allow any deduction in collections on personal property, or do not assess personal property at all.

By Mr. Creamer.

Q. Are you familiar with the amount of personal property entering this port in the shape of imports year after year? A. I had the figures before me.

Q. Say in round numbers $800,000,000 annually, personal property imported to this country, principally entering this port,

or two-thirds of it at least; are you familiar with the sum raised tariff tax ranging since the origin of the country from ten per cent tariff up, as high as sixty — the amount the national government collects on that $800,000,000? A. I can not give you figures on that.

Q. We will say it is $200,000,000; why can not laws be passed by the State of New York to collect a much smaller percentage of the value of personal property, just as well as the government of the United States have passed laws to reach the same; why can not the State of New York pass a law that will reach personal property? A. That practically comes down to a listing system, because that is made upon an invoice of valuation.

Q. A listing system? A. Yes, sir.

Q. Not absolutely; you have public records here which if consulted would enlighten your office? A. You are comparing one line of administration to another; as I understand, the taxes raised by the general government are based upon the invoice by the customs officers, and that is practically a listed system, is it not?

Q. Yes; there is a listing system of nearly all the mortgages made in this State, and also there is a law requiring all corporations to make annual reports, is there not? A. Yes, sir.

Q. That would cover the same ground almost, would it not? A. But when you find an individual that owns a mortgage he has gone and prepared himself for that assessment by contracting debts, and comes in here and swears it off, and the man who owes the mortgage, he comes in and swears it off on the other personal property that he may own, because of his indebtedness on that bond and mortgage; as an illustration, I am informed that a very large business house in the city of New York went into the purchase of real estate and bought a very large piece of property on Broadway; they put in $50,000 capital, and raised a mortgage of $150,000 on their building, and swore off on their capital tax on account of their indebtedness on bond and mortgage; you see how that works in that case; that is all valuable information coming in our system of taxation in the city of New York.

By Mr. Creamer.

Q. Coming back to imports, a great part of it is located in this city, and the inquiry is natural why it is not taxed when it enters the port; we know what it is in part by what the customs records show, if at least the same proportion was assessed, there would be a much better showing than there is to-day? A. I suppose you are aware that so far as any goods coming from the other side are concerned, unless they are changed as to their condition, they are exempt from taxation under our national laws; that is to say, goods in original packages are all exempt, but if they change their situation, that is to say, become partially broken, then they are liable.

Q. Was there ever a case when you were informed that they did break them open? A. Yes, sir; many.

Q. They always inform you? A. No, sir; we have them swear to it; we assess them upon their capital invested in that business, and they say that their capital is invested so much in goods in original packages, so much in broken packages, so much in bank, etc.— give a statement in that way upon inquiries that we make of them, and then we strike a balance allowing them the deductions that the law allows.

By the Chairman.

Q. That building that you refer to on Broadway, was that an actual incident or were you just referring to that as an illustration? A. I was informed some time ago it was an actual incident.

Q. You say they invested $50,000 in land and then borrowed $150,000 and put it in a building? A. Yes, sir.

Q. And then they used that indebtedness on the land and building as an offset against their personal property? A. Yes, sir.

Q. Can you tell the committee what that land and building was assessed for? A. I have not any particular land or building in my mind, or any particular firm in my mind now, but I was informed that was done.

Q. You simply referred to that as one of the methods used to escape taxation? A. Yes, sir; on personal property; that is all.

By Mr. Creamer.

Q. Come to the corporation tax; are you familiar with the workings of that and the reports? A. Somewhat.

Q. The amount collected in our State last year was about how much? A. In the whole State on corporations?

Q. Yes, sir. A. A little over $1,000,000 under the act of 1880.

Q. Are you familiar with the operations of a similar tax law in other States, Pennsylvania, for instance? A. I know there is such a law in existence, but as to how it operates I don't know; I understand it is very favorable.

Q. It is stated that it is close to $5,000,000; can not the same law apply in our State without detriment to commerce or manufactures or business generally, if it operates and works in the State of Pennsylvania? A. I suppose it could; I don't know of any reason why it should not operate; the only question between us and them is this, I think; there they exempt entirely from local taxation their corporations, while we assess them for State purposes and leave them still liable for local purposes.

Q. They are liable, but not taxed? A. We tax them here in the city.

Q. We know that; but owing to the looseness of the law they are not reached? A. No, sir.

Q. Can you tell the committee as to the working of the inheritance tax, whether it should be increased or decreased; you come into contact with the law of the State? A. Yes, sir; but as to how it operates so far as the inheritance tax is concerned, or that act taxing corporations upon their franchise, the surrogate and city comptroller would be able to tell you better in relation to those; we don't undertake to say anything about the operation of those because we find no objection to those; nothing has been said against them so far as I have ever head on the part of anybody coming in and being reassessed for local purposes before us; I am not disposed to favor a line of thought that corporations should be entirely assessed by the State, and free from local taxa-

tion, because there are many corporations that are entirely local, and should be assessed entirely by the local authorities; for instance, why should the elevated railroad be assessed by the State when their whole revenue is derived in the city of New York, and their franchise is entirely in the city of New York, and so on with other corporations that are entirely local?

Q. As a financial officer of the city government, what is your judgment concerning the increase or decrease in the inheritance tax now collected by the State as suggested by the comptroller recently; light is needed on that subject in view of legislation for the future; you meet ten thousand people a year in your department, taxpayers and non-taxpayers? A. I am not disposed to favor any inequality in the law so far as the rate of taxation is concerned upon any individual's property, no matter whether he is rich or poor, or to make an exception by adopting any such rule as one per cent on $100,000, two per cent on $200,000, and so on; that creates inequality by law.

Q. It is already in existence? A. I know; because a man happens to be wealthy, that is no reason why he should pay at a greater rate for the protection of his property than any other man.

Q. You don't believe in increasing the amount beyond the present figure? A. I can not say as to whether the rate now fixed on the collateral inheritance tax is sufficient or not.

By the Chairman.

Q. You believe that the rate ought to be uniform without regard to the man? A. Yes, sir.

By Mr. Creamer.

Q. Now, as regards the amount exempt, $10,000 in one case, and $500 in the collateral inheritance, what is your opinion of that? A. I think that is fair enough.

By Mr. Coggeshall.

Q. Should that be deducted from the estate originally, or from the amount coming to the heirs; what is your opinion with refer-

ence to that? A. At present, under the inheritance tax laws, lineal descendants are not taxable to the amount of $10,000, and over that they are taxable, whether it is real or personal — no; only on personalty, I believe; now, your question is what?

Q. As to whether the amount of tax should be taken from the estate itself or from the respective shares coming to the heirs in either case, either the lineal inheritance law, or the collateral inheritance tax? A. It seems to me it would be more favorable as it is now, taken from the legatees or heirs, whoever is the one entitled to it, because it might create a burden by taking it from the general estate upon somebody that would not desire to be taxed; it would affect the interest on $10,000 that you practically exempt by taking it from the whole estate.

By the Chairman.

Q. You think the beneficiary ought to pay it? A. Yes, sir; it makes it more satisfactory; the beneficiary is always willing to pay, while the estate might very much object as a whole.

By Mr. Coggeshall.

Q. You think the amount of $500 is sufficient, do you; you would not increase the amount of the collateral inheritance exemption? A. I think that is very small; I would be inclined to increase on personal property to $1,000; that is about how we feel in the city; $1,000 don't do much more than bury a man respectably nowadays.

By Mr. Creamer.

Q. What is your judgment concerning an income tax in this State similar to that prevailing in other States on sums say above $10,000 a year as a means of creating revenue? A. I think an income tax as a system would produce more beneficial results than our present system, but I think it is a very objectionable system.

Q. Take it separately, leaving existing tax laws just as they are and having on income above $10,000 a year a tax, what is your opinion? A. I am not inclined to favor an income tax.

Q. Why? A. I think it is generally objectionable to the people, and generally objectionable to good government, because it creates

as much inequality in that way as you do under the present system; it gives people opportunities to do that which they ought not to do, although I am not one that believes in a great amount of perjury going on in relation to this or any taxation system, yet people can; whenever you fix a definite time for the purpose of raising taxes, you will find that the people will always regulate their affairs for that definite time.

By the Chairman.

Q. You think that such a law would invite evasion of it? A. I think it would in time; it might not for one or two years.

Q. I had an Utopian idea at one time in connection with this system of taxation, and that was to allow the tax commissioners; have three systems adopted by the law, your present system, your listing system and your income system, and give the tax commissioners the right to initiate, without their knowledge as to which system was to be initiated, on the second Monday of January, either one of those systems, so that they would not be prepared to overcome the difficulties in relation to the situation. A. I have often thought of that as an idea, but I have never thought well enough of it to recommend it to anybody; but to capture personal property which is so shifting, to capture the individual who is liable to change, those two elements, with the element of indebtedness entering into the whole of it, is such that it is next to impossible to be able to obtain a tax upon personal property.

By Mr. Creamer.

Q. Have you furnished the committee with those statements concerning the returns made by certain corporations? A. I have a number of statements here, but I want to call your attention to this while you are on the subject, and which is quite interesting to me, and that is that our department have been disposed to try to equalize valuations in relation to corporations, so far as those corporations were competitive; take, for instance, the capital of a corporation that had a franchise, it would not compare to a manufacturing corporation, we would take as a basis of value

for a franchise corporation a five or six per cent dividend as a par value, while a manufacturing corporation universally is recognized as a ten per cent dividend par value; now, here is one line of competitive corporations that seem to be getting a benefit which they should not have, and that is trust companies.

Q. Would it not be better to amend the law so as to get at the full amount of those corporations for taxable purposes? A. It is not only amending the law that will cover it; the Court of Appeals decision recently made in the case of the Union Trust Company, has helped to strike off in this county at least eight to ten millions of assessable valuation and practically made it exempt; under the statute, a shareholder in a corporation is exempt; the owner or holder of the stock in any incorporated company liable to taxation on its capital shall not be taxed as an individual for such stock; the Court of Appeals, in the Union Trust Company case, says that the value of the capital of a trust company is based upon its assets; now, as an illustration, the assets of one corporation are worth $500, while the market value of its stock is $1,000; there is a difference of $500 in actual value; the decision of the Court of Appeals says that the assets of that corporation must be the determining value of the capital, and that extra $500, on account of this provision of the law, is practically exempt, the corporation paying taxes upon its capital and the shareholder being exempt, the corporation can only be taxed upon $500,000, while the shareholder has in his possession a valuation of $1,000,000.

By Mr. Coggeshall.

Q. It is absolutely exempted under the law? A. No, sir; but there is a difference of $500,000 valuation that you can not get at under the present decisions.

By Mr. Creamer.

Q. Have you those reports from the corporations that we asked for? A. Yes, sir.

Q. Take life insurance companies; you say they have been exempted by law; in what year? A. The law of 1855 made the

Mutual Life Insurance Company liable on $100,000 only; accumulations in any life insurance companies held for the exclusive benefit of the assured are not liable to taxation; that is the law of 1857; then, the law of 1884 states: "All moneys, benefits, charity, relief or aid received or collected by any corporation, association or society doing a life or causalty insurance business, or both, upon the co-operative or assessment plan and which money, benefits, charity, relief or aid are derived from admission fees, dues and assessments or any interests or other accretions thereon, and which are to be used for the payment of assessments or for death losses or for benefits to disabled members shall be exempt from assessment and taxation."

Q. Do you remember as to the local authorities here asking for that law? A. No.

Q. The law of 1884? A. No, sir; we had nothing to say about that.

Q. Who represented the city at the State capitol at that time; the law department is supposed to represent your office? A. I don't think the city, then, had any representative directly that I remember; I mean from the corporation counsel's office.

Q. After 1884? A. That is the last act affecting life insurance companies.

Q. Then, that exempts them from all taxation except on the realty? A. Yes, sir.

Q. All life insurance companies? A. Yes, sir.

Q. What is your judgment concerning that state of affairs; A. I am not in favor of that; I don't see why life insurance companies should exempt, because they are money-making associations generally.

Q. Are you familiar with the fact that some of their profits are so large that they give their agents as high as thirty or forty per cent commission? A. So I understand.

By the Chairman.

Q. Do you know anything about it as a matter of fact? A. Just from general knowledge and inquiry made of some of those agents.

By Mr. Tierney.

Q. What return, for instance, does any of those leading corporations make to your office concerning personal property, if any? A. Here is the largest of them, the Equitable Life Society; capital stock actually paid in and invested in United States bonds $100,000; net surplus earnings belong to stockholders; rate of dividend limited to three and a half per cent semi-annually on the capital sock of $100,000; assessed valuation of real estate, $3,800,000; amount invested in stocks of other corporations which are taxable upon their capital $1,299,300; amount invested in United States securities, $790,000; capital of the company, $100,000, invested in government bonds and deposited in compliance with the laws of the State of New York with the Superintendent of the Insurance Department in Albany; accumulations are held for the exclusive benefit of the assured.

Q. Is that report made in compliance with the law concerning such companies? A. Yes, sir; I think so.

Q. Then outside of their realty they pay no tax to the city government? A. No, sir.

Q. That assessment on the realty, what proportion does that bear to the amount they certify to be its value in making up their assets in the report to the Superintendent of Insurance? A. I think it is very small.

Q. What reason is there then that in that case there should not be an adjustment? A. The old Marine Bank made a statement of something like $370,000 or $400,000 as the value of real estate, and we had it assessed at $300,000, and when it came to sell it sold for $250,000; we had to reduce it; on that general condition of affairs we don't take the statement of the corporation as to its valuation; we have to use our own judgment as to the fair valuation, in comparison with all other property surrounding it.

Q. You estimate it by comparison? A. Yes, sir; as well as the general valuation itself; this building is somewhat exceptional.

Q. Is it assessed differently because it is an exceptional construction? A. In cost only.

Q. A residence may be an exceptional residence, but a man is required to pay a reasonable proportion of its cost? A. The element that enters into this is the element of what it would sell for.

Q. Is that the manner in which you arrive at your conclusion in this city — what it will sell for? A. What it will sell for.

Q. Not the amount that the books show was expended upon it? A. No, sir.

Q. If the books show that that building cost $14,000,000 it should be assessed for more than $380,000? A. I don't care to dwell upon this particular building; there is a constant uneasiness in the lower section of this city owing to favoritism, as it is alleged concerning certain classes of real estate to the injury of the neighbors.

By the Chairman.

Q. As you understand it, isn't it a uniform rule adopted by the assessors to fix the value of real estate at what it would bring at a forced sale? A. No; we don't have that rule here; the Consolidation Act provides our rule for assessment, and the language of the Consolidation Act is what it will sell for under ordinary circumstances; whether you consider that a forced sale or not is a question; I don't consider it so; what it would sell for under ordinary circumstances; the definition of that rule that we use is what would fairly be loaned by a careful conservative corporation upon property, so that they would not lose if the market should go down to any ordinary degree; that would be what would be termed an ordinary valuation.

Q. You don't, of course, go into the question as to whether or not there has been extravagance in the construction of the property? A. No, sir.

By Mr. Quigley.

Q. In looking over this report of the Equitable Life Insurance Society I notice "Accumulations of the society are held for the exclusive benefit of the assured and are exempted from taxation

by section 4 of chapter 456 of the Laws of 1857;" now, what are included in those accumulations of the society? A. As we understand all their assets are included in accumulations for the benefit of the policy holders.

Q. Then virtually all the assets of such a corporation are exempted under the law? A. Yes, sir.

Q. Would you favor an amendment of the law which would take the accumulations of the society out of that exemption act? A. I don't know why we should not; yes, sir; I would favor it.

Q. Would not that have a tendency to increase the income of the State and city from those corporations? A. Very much indeed.

Q. Have you any idea how much the accumulations of the Equitable Society are at the present time? A. I think it runs to 130 odd millions.

Q. And those 130 odd millions are held for the benefit of the assured in the society? A. Yes, sir.

Q. In what way do they receive the benefit? A. I can not answer that question, except just as ordinary life insurance companies do; these accumulations are for the payment of the life policies; the assured get the benefit of it by their policy being paid when it becomes due.

Q. Those accumulations are not used every year to pay accruing policies, are they? A. I suppose not.

Q. They are drawn upon, are they not? A. Part of them, I suppose.

Q. Have you any knowledge as to the amount of the increase in those accumulations within the past ten years? A. I think they are very large.

Q. What is the situation to-day as compared with ten years ago in the amount of the accumulations of the Equitable Society? A. I could not give you the figure, but from my general knowledge of the situation I suppose it is $75,000,000.

Q. Have you any idea in what direction those accumulations are invested? A. Yes, sir; some in real estate.

Q. And then the Equitable Society owns real estate as part of those accumulations? A. Yes, sir.

Q. Don't that take them out of the category of personal property? A. So far as that is concerned.

Q. Then they are assessed as real estate? A. Yes, sir.

Q. Has the real estate of the Equitable Society increased perceptibly within ten years past from the accumulations that have been changed to real estate? A. The only real estate that we know that the Equitable owns is the real estate that that assessment is against, which is their principal building at Cedar street and Pine.

Q. If the Equitable Society should have placed a certain portion of those accumulations in real estate in this city, there would be no doubt but that the tax gatherer would reach the real estate? A. They would reach it, no doubt.

Q. If the Equitable Society had more real estate than $3,800,000 in the city of New York, its report would show? A. It ought to show, but they may consider the balance of that real estate as a part of the accumulations as you put it, and claim exemption, although it is assessed as real estate.

Q. Is it possible under our present law for the Equitable Society to own real estate in the city of New York that would be exempt from taxation because it is accumulations for the benefit of the assured? A. No, sir; I don't think so; it is not possible so far as their real estate is concerned.

By the Chairman.

Q. Now, commissioner, you say that so far as your information goes, the holdings of the Equitable Life Insurance Company amounts to $137,000,000 I think you said; these holdings, so far as you know, are not all located within the city and county of New York, are they? A. No, sir; I suppose not.

Q. Nor in the State of New York? A. Nor in the State of New York.

Q. So that so far as you know you have reached all the property of the Equitable Life Assurance Society located within the city and county of New York? A. So far as we know.

By Mr. Guenther.

Q. Those holdings might perhaps be in some other name; they would not be in the name of the association? A. They may be.

By Mr. Creamer.

Q. This is the only information you have of this Equitable company? A. That is all for 1892.

Q. It runs along the same every year? A. Yes, sir.

Q. Are you familiar with the report they make concerning the amount of real estate that they have to the State? A. No, sir; I am not.

Q. They pay no personal taxes? A. No personal taxes.

Q. Has your office ever sent a bill on this subject including them in the list? A. No, sir.

Q. What other reports have you there? A. I have the Mutual Life and a few others of the insurance companies and the telegraph companies under that question brought up last session, that they are only liable on their poles and wires; I have the corporation counsel's opinion at that time if you want that given to the department as to their exemption upon their capital.

Q. Exemption of whom? A. Telegraph companies.

Q. What year was this? A. Eighteen hundred and eighty-five, and it says that the capital stock of telegraph companies can not be assessed.

Q. Which counsel was that? A. Judge Lacombe — he is judge now.

Q. That is under the law of 1857, is it? A. Eighteen hundred and fifty-three or 1854.

Q. The law don't reach them? A. The law don't reach them.

Q. Was there an effort made to change the law? A. Yes, sir; upon a suggestion I made.

Q. To whom? A. Senator Cullom; I found a copy of the bill in the office; in 1886, I think, he presented it in the Senate; it was printed and that was the end of it.

Q. Sent where; to the committee on grievances? A. I don't know what became of it.

By Mr. Ahearn.

Q. The corporation counsel bases his opinion on the law of 1854? A. Chapter 471 of the Laws of 1854.

By Mr. Creamer.

Q. That exempts the Western Union, as I understand? A. Yes, sir; the Western Union has been paying an assessment of $100,000 on their capital by consent a great many years.

Q. What is their capital? A. Some eighty odd millions, I believe; I think it has lately been increased to $100,000,000.

Q. Is your office cognizant of the history of the company concerning its movements as regards claiming a heavy indebtedness at the tax office and then within a very short space doubling their capital on the surplus and all such transactions in the face of high Heaven, and still being exempt on the tax books? A. No, sir; I don't know of any such claim.

Q. This telegraph company owns to a capital stock of $360,000 and it is now over $100,000,000; do you think it is the duty of some branch of our government to look into the affairs of such a corporation from a business standpoint and see how much they can contribute towards the city whose streets they have used and monopolized for so many years? A. Yes, sir; I don't see why they should not be put on a par with other corporations; I want to suggest as an amendment — we attempted to hold the express companies, which are associations, and the Court of Appeals determined that they were not liable as corporations; now, they practically have all the attributes of a corporation, and it seems to me the law ought to be amended by which they would be made subfect to the same laws as any other corporation; I have spoken to you on the subject of the trust companies, and I think they ought to be put in the same position, as they are competitive with banks by assessing them not as corporations, but assessing their shareholders, giving them the same privileges as shareholders of banks; the banks are constantly complaining that those trust companies are in competition with them, and they have an oppor-

tunity given by law of making investments in non-taxable assets; we found them a valuation for this year of 6,694,944, out of a possible assessment of 46,000,000 on their capital and surplus, deducting 4,000,000 for their assessed value on real estate, and if they were on the same basis of banks they would be liable to $42,000,000 in place of $6,000,000, subject to deduction by debts; if we assume the deduction on trust company shares would be equal to bank shares, we would have an assessment of $32,000,000 as against $6,000,000 in the city of New York; on account of that decision of the Court of Appeals, as I said, compelling us to take the assets of trust companies, when their valuation is so far above their assets, in every instance almost, because of their earning capacity, which is the true theory of making assessments practically upon all corporations.

By Mr. Coggeshall.

Q. You stated that it was difficult to reach bonds and mortgages for the purposes of taxation; what legislation do you suggest that will be more successful and certain in reaching them? A. As in connection with the present system, I know of no reason why bonds and mortgages should not be assessed as against the bond and mortgage and not as against the individual, so that if it was a non-resident individual we would hold the bond and mortgage; the difficulty would be in adopting a system that would be able to carry that out.

By Mr. Creamer.

Q. There is a commission now I believe, at the State capitol, authorized by the Legislature of last winter, revising the tax laws; are you aware there is such a commission? A. No; I was not aware of it.

Q. There was one created last winter; they have been in existence for eight months past; they have not consulted with your tax office here, to your knowledge? A. No, sir; they have not.

Q. Have you consulted with them, or made any effort in that direction? A. I was not aware that there was one in existence.

Q. Isn't there an officer in your department who reads the laws of the State concerning your department? A. The commissioners do, and I do as a lawyer, but I have not had an opportunity to do it myself, because the session laws did not come out until about two weeks ago; they have been very late this season.

Q. Supposing a law went into effect concerning the assessment of real estate? A. We expected to be able to do it; I have partially gone over it; in fact, the corporation law has raised this very question; Mr. Paris and I were talking about it the other day as to whether the definition of what a corporation is may cover this question of the express companies that I have been speaking about; we propose to try it on this year as to whether or not they are a corporation under the law now for the purposes of taxation.

By Mr. Quigley.

Q. Have you got that definition here? A. No, sir; I think it is transportation companies; it says railroads or other transportation companies; now, as to an insane person or lunatic, the courts have decided that you must assess an insane person, because the committee, under the law, is not given the title absolute to his property; he is only for the care and protection of the property; we assessed a committee, naming the person in that connection, and found our assessment was not held, and now to assess an insane person, that practically shuts him off from any hearing; there is an inconsistency in the condition of affairs, and I make a suggestion that the law ought to be amended so that the committee would be assessed in place of the person.

By Mr. Coggeshall.

Q. I suppose the committee would be entitled to act for the person before the commissioners? A. They don't attempt to act; now, we have assessed one insane person, John Brown, or whatever it is, by so and so, a committee, and attempted to show

in court that so and so was mere surplusage, and merely for the purpose of locating the individual; that has not been settled.

Q. As the law is now you assess the lunatic? A. Yes, sir.

Q. What law is that? A. Under the General Statutes, they provide that in case an assessment has been made as against an executor or trustee, etc., that it shall be made as against them with their designation of office, but it don't include the committee of a lunatic, and, therefore, they come under the General Statutes as to individuals; now, the act of 1883, which was passed for the purpose of obviating the difficulty of people carrying their evidences of indebtedness, bonds and mortgages and things of that sort, and leaving them over in New Jersey, and then claiming before us that the property was not under our jurisdiction, did not cover executors and trustees under the Court of Appeals decision; that only refers to persons, and those persons the owners of the securities; now, executors and trustees, the Court of Appeals has held that that act did not apply to them, and, therefore, it ought to be amended and made to apply to them just as well as anybody else, because the question arises with them as well as it does with individuals.

By Mr. Ahearn.

Q. That is with reference to where one of the executors is not a resident of the State? A. Even whether he was a resident or not, so far as this act is concerned, if they brought the securities to New Jersey and left them there they might not be held liable.

Q. Then, you suggest there should be a change in regard to the lunatic system, and that the committee in a body or individually should be held; which do you mean? A. The committee, whoever it may be; there is generally only one.

Q. What I meant by that was that the individual picked out on that committee might be a resident of the State of New Jersey, and you would be in the same position? A. That may happen, of course, if the lunatic was a resident here the prob-

ability is he would have a resident committee; those are some of the things that happen, you know.

By Mr. Creamer.

Q. There seems to be some doubt as to the Western Union company; do you say that the entire amount that they are assessed on in personalty is embraced in this return of $98,000,000? A. One hundred million dollars.

Q. And that they are exempt from taxation on the capital? A. Yes, sir; that is supposed to be their poles and wires alone.

Q. That is their capital? A. Yes, sir.

Q. They pay no taxes then on their real estate to the city treasury beyond this sum? A. No, sir.

Q. This construction of the law then concerning their exemption from assessment on capital exempts the individual stockholders as well? A. I don't know as that question has ever been raised; I don't think it does.

Q. If it did not, you would assess them? A. Yes, sir.

Q. Take this case where you say that there is 100,000,000 of personal property floating around somewhere? A. Now, let me see; I think it does exempt them, because their capital is assessed, but under the law it is assessed at the valuation of the construction or reconstruction of their poles and wires; now, if the poles and wires are assessed, as they are assessed, as real estate, since that act of 1853 the law has been amended by which poles and wires are determined to be real estate for the purpose of assessment, and so the real estate is assessed, and because the real estate is assessed you can not get any valuation upon their capital for the reason that the law makes the basis of it the valuation of their poles and wires which are already assessed as real estate.

Q. Well, do you remember about how much this corporation pays in this city on its real estate? A. I believe their building is assessed about 1,300,000.

Q. Outside of the building? A. They only pay on that $100,000.

Q. Nothing then on their plant here in the city? A. Yes, sir;

their plant; their poles and wires are separately; they have another report for that which I did not bring.

Q. You have not got that here? A. No, sir; they have to render that every year.

Q. From your recollection how much is this company assessed at; this is an exceptional company? A. I have not got the figures.

Q. About how much? A. I think it is about that; that amount they put in there, $98,000.

Q. For all their plant, their poles and wires? A. Yes, sir.

Q. A corporation with a capital of $100,000,000 not assessed altogether in the city here more than $200,000? A. I don't give you that positive; I would have to look at the report on poles and wires.

Q. What is your best recollection? A. I have not looked at that assessment as made by the deputies on poles and wires by a sworn statement made to them; I know they are assessed on their poles and wires, upon a separate statement rendered about this season of the year and sworn to, and divided among the different deputies.

Q. Then you no doubt recommend a change in regard to those companies? A. I think Senator Cullen presented the bill and had it printed and fought for it, I suppose; he happened to be the Senator of the district in which I resided at the time.

By the Chairman.

Q. I find here a bundle of statements of assessments on newspaper publishing companies; the Sun Printing and Publishing Association assessment fixed at $199,000; Tribune Association, assessment fixed at $3,400.

Mr. Creamer.—I desire to state that there is no record of the gentleman on the stand having been asked to produce those papers.

The Chairman (continuing). Evening Post Publishing Company assessment fixed $100,000; the Mail and Express Publishing Com-

pany, $10,000. Will you explain to the committee, if you please, how there comes to be such a variance?

A. The capital stock of the Mail and Express Company is $10,000; the Court of Appeals has held that we can not get over that; the capital of the Evening Post Publishing Company is $100,000; they are assessed at $100,000; the capital of the Tribune Association is $200,000; they have a building $540,000 valuation; so they swear to $754,000 of assets and we give them a deduction of the real estate $540,000, and their debts which leaves them liable for $3,300; the Sun Printing and Publishing Company have a capital of $350,000; their assets are sworn to as $590,000; their real estate $153,628, and their debts $238,000; $391,000 from $590,000 makes an assessment of $198,543; the real estate is deducted from each of the valuations; the Tribune swear to $720,654; that the Court of Appeals says we must take in all corporations as the basis of valuations; then we deduct the real estate value $540,000, and their debts, $211,000, leaving $3,356.

Q. Take, if you please, the report of the Evening Post; do they return any real estate? A. No.

Q. Do you know as a matter of fact whether the Evening Post Publishing Company own any real estate as such company? A. I don't know whether they do or not.

Q. Do you know whether the Sun Publishing Company owns any real estate? A. As a company?

Q. Yes, sir? A. I do not.

By Mr. Creamer.

Q. I don't believe that the newspaper people should be subjected to analysis unless it becomes general? A. The same rule applies to them as to all corporations.

By the Chairman.

Q. As chairman, speaking for the committee, I desire to say that those reports were not selected only for the purpose of ascertaining the method used in assessing those corporations, as the committee has questioned the witness in reference to other cor-

porations; I see in one case that a large deduction is made for real estate as an offset, and in the other cases there are no such deductions; that is the reason for asking the question as I did; if the Sun Publishing Company owns real estate, they have not used it for an offset; in the case of the Tribune they have? A. That is true.

Q. Now I desire to ascertain whether the witness can give us any information as to whether the real estate is used in all instances or only in certain instances as an offset; I don't know of any particular reason why the committee should be afraid to inquire in the affairs of the publishing corporations any more than any other? A. So far as we are concerned, you can inquire into anything and everything; the Sun Publishing Company has used real estate to the amount of $153,000, leaving them liable for $198,943.

By Mr. Creamer.

Q. Why not assess that building at its proper valuation, and deduct all the personal the same as others; the assessment there is away out of proportion to what other buildings in Printing House square are assessed at; why does not the rule apply in all cases? A. As to the valuation of the buildings?

Q. Why not wipe out personal altogether by a proper valuation of the real estate? A. The statement as to valuation on that building may not be altogether correct; the deputy always goes over those cases; we grant them nothing more than they are entitled to; there is no statement of a corporation so far as real estate is concerned that is ever taken as absolutely correct, because we require them to furnish us the ward and block number, and then give the deduction of the actual assessed value, whatever it may be.

By the Chairman.

Q. Can you tell the committee what the real estate of the Tribune is assessed for? A. It is estimated at $540,000.

Q. And the allowance is the same as the assessment? A. Yes, sir.

Q. You recommend that the levying of taxes for State and local purposes ought to be separated? A. Yes, sir.

Q. You also recommend that there ought to be a system adopted so as to relieve real estate of a tax for the support of the general State government? A. That is it.

Q. You also recommend that there ought to be a tax upon bonds and mortgages? A. Of a very small amount, and relieve them from local taxation.

Q. Did I also understand you to recommend that property of estates should be exempted from local taxation? A. I propose that as another line of capital which is fairly certain for the State to be able to raise its necessary amount; I have selected that as an additional certain line of capital as well as bonds and mortgages.

Q. You also recommend that a system ought to be adopted whereby property held by executors, if to be taxed at all, should be taxed where it is rather than where the executor lived? A. In line with the State system upon estates, then it would be assessed, I suppose, at the State capitol, no matter where the property was in the State, and in that way you would relieve us of the difficulties that now exist of determining where it should be valued.

Q. The executors, as I understand you, sometimes live out of the city? A. Yes, sir; and then to cover that, I say it should be taxed within the State, if the decedent died within the State.

Q. You further recommend that there be no deduction for indebtedness on personal property? A. As to those two lines of capital.

Q. What would you raise money for local taxation on if you take bonds and mortgages off? A. My own thought about that is that if the State gives the city an opportunity to raise its taxes as it pleases, we will be able to get up a revenue code; it will not be the suggestion of myself alone or anybody else, but the combined suggestion of the mercantile interest, so that it will be a complete code affecting the business interests of New York, and the probability in my judgment is that a considerable amount of this personal tax business will be got through and a certain and greater portion of it will be obtained by the city.

Q. How would that affect the rural parts of the country where they have not those mercantile interests such as the city? A. They will settle themselves on the interests that they have.

Q. If you take the bonds and mortgages out what is there left to tax but the farms, hens and chickens, cows, etc.? A. There are many other cities.

Q. There are many localities where there are no cities? A. And their expenses must be necessarily light.

Q. How would you raise it, from a tax on real estate and what else? A. It would come to that for local purposes; it comes practically to that for local purposes.

By the Chairman.

Q. Your idea would be to leave it to the local authorities how to raise it? A. Yes, sir; suppose we might determine to make a poll tax in the city of New York.

By Mr. Gifford.

Q. Suppose New York city and other cities formulate such laws that would virtually exempt personal property from taxation, what effect would that have on the country districts adjoining cities? A. I don't think it would have any.

Q. Would it not have this effect that if you decided in the city of New York to exempt personal property from taxation, and let the adjoining county supervisors decide for themselves, wouldn't it have this effect, that capitalists in that county would say to the supervisors, "You must follow in the line of New York city, or capital will go from here to New York or Albany or Rochester," wouldn't it have that effect? A. It might.

Q. Wouldn't that work a great injustice to the rural districts? A. Not any more than it does now; if we attempt to assess a very wealthy man, the first thing you know he skips off to Westchester or to Dutchess county, or some such place as that where they won't assess him probably so much as we would.

Michael Coleman, being duly sworn, testified as follows:

By Mr. Creamer.

Q. You were tax commissioner of New York for how many years, deputy and commissioner? A. Deputy and commissioner for twenty years.

Q. We desire to inquire concerning the effect of legislation, particularly as regards personal property, in recent years, during your term of office as commissioner, as to whether it had a tendency to send capital elsewhere; what effect generally it has had? A. In my opinion it has had a very serious effect.

Q. Give the committee an illustration of what you think. A. My first experience in relation to that matter was in 1869; prosperity had been throughout the country after the war, and those seeking homes who had accumulated wealth faced towards this city for the purpose of purchasing sites and locating here; the only location at that time where they possibly could locate to be satisfied for their future residence was along the easterly side of the park and the upper part of Murray Hill; we had several come here who leased their houses before purchasing such sites, and before they were here a year the tax department pounced upon them with such enormous figures for personal assessments that outside of two or three the balance flew to other parts; that property has never recovered from the boom at that time up to the present time; I don't know as I can give you anything except the experience I have had year after year of seeing the tax assessments diminishing upon the records of the tax department, of individuals who had become versed in the law of how to evade taxation; a large amount that was upon our books from 1869 to 1874 was shown to be upon a false basis, and it was exposed by the Hon. George H. Andrews in his address to the committee of ways and means in the board of aldermen, when he delivered an address there showing the amount of personal property exempt from taxation; that was the cause of the falling off of some seventy to ninety millions.

Q. What years? A. Eighteen hundred and seventy-four, which

we had to make up by putting on a new list of names, the assessments on which we have never been able to collect; I might go on in detail in regard to my reasons why I think so; I have always thought that the assessment of personal property has been detrimental to the city.

Q. It has been detrimental? A. Yes, sir.

Q. When was it? A. It always has been since the law of 1857; we are now acting under the laws of 1857 and 1859.

Q. What do you think of the statement of the State assessors as to the amount of personal property in the State? A. They claim it is four thousand millions; A. That may be.

Q. If there is only one tenth of that on the books, how can you say that it has been assessed; how much of that four thousand million is assessable under the law; all except what has been exempted, I suppose, by special legislation; why is it from your experience that they can collect on personal property on other States without it being detrimental or injurious? A. It is according to the laws of other States.

Q. Do other States pass injurious laws? A. Some of them do.

Q. What State; Massachusetts? A. I think personal property taxation has been detrimental to the success of Boston as well as New York; in Philadelphia, it is a different law.

Q. In Boston, they assess personal property? A. I know they do.

Q. Isn't it fair to presume that the Government of Boston and Massachusetts are as fully informed on those questions as our people? A. They can enforce the personal law letter than in New York; they are not contiguous to another State lying three minutes' sail away, like New Jersey.

Q. They enforce it there; that shows it is not detrimental when they succeed in having the property assessed? A. I still claim that, in my judgment, it is detrimental, not so much to them as it is to us.

Q. Has there been any issue made in their State as regards that question that throws any light on the subject by which you judge? A. I made an examination of the tax records in Boston, in 1886, and, in my judgment, after the examination was

made, I came to the conclusion that the assessment of personal property there was detrimental to the success of Boston; naturally, I do not class New York with Boston; New York is a great financial center; we should attract capital here instead of driving it away; it is so easy to go over night to other places, and what we can not hold within our grasp, we might as well let it come in free.

Q. Can you show where capital has been driven away by personal taxation generally? A. It has been my experience to meet the best class of people who have lived in the city of New York for years, where they were put under a heavy assessment on personal property and the following year they placed themselves in a position to evade it under the law.

Q. How is that detrimental to the State to have a nontaxpayer here? A. It would be much better to have that man have all his money here so that it would be free for business purposes.

Q. Don't you believe in the broad principle that every resident should contribute his share for the government? A. They do.

Q. Does this gentleman who dodges to another State? A. We can not prevent that.

Q. Why? A. No; he takes advantage of the law; if you could make a law that you could enforce; don't place us in a false position though.

Q. Why is it an injustice? A. It is an act of injustice when they can offset it that way.

Q. Every resident should contribute his share; now, if the law is defective, commissioner, those people who can afford to go to other States and have several residences, but can not afford to contribute their share towards the support of the government, in your experience in connection with the tax office, do you know wherein the law is defective in not reaching such people? A. I only know from a practical view that for the last twenty-five years they have gone to New Jersey and built up along the road of the Delaware and Lackawanna, the Erie, the New Jersey Central and other railroads, the New York and New Haven and the Long Island railroad; we have compelled them to increase the capacity

of their roads nearly four times what it was twenty years ago, and along those roads are men who are in New York, but are now claiming residence there, doing business in New York; we have not added to our wealth for the last twenty years; we have added to our population, but the people who have come here are not as good as those driven away.

Q. What has driven them away? A. Taxation; that has not been the most serious thing; in 1869 along the easterly and westerly shores there were large factories employing at one time a hundred thousand skilled workmen; the first case that came up was the Singer Sewing Machine Company; for three years they conferred with the department as to what their taxes would be; finally they moved to New Jersey, and from that time up to the present time they have been going almost every year, and to-day there is only one large establishment that was here at one time, and that is Hoe's establishment; now, the class of people that follow those factories are skilled workmen; they are the very best class of citizens; they are men who have pride in their families, and just as soon as their work is moved in a little time they settle there.

Q. Does not the price of land in other States affect that any? A. We could have gone to the twenty-third and twenty-fourth wards and held them here.

Q. In 1869 there was no twenty-third or twenty-fourth wards? A. The room was there at the same time.

Q. In recent years have you known of capital departing from the State? A. It don't come here.

Q. Has recent legislation since 1880 affecting property, affected capital sufficiently to drive it from the State? A. There has been a reorganization since 1889 up to the present time of nearly one thousand million of organized capital, a majority of which was located in different businesses in the State of New York, who have combined together and organized in adjacent States, Connecticut, New Jersey and other States; in regard to Mr. Feitner's statement that organizations in this State — that it gives them a better standing. I will say at the same time the

reorganization of those corporations of one thousand millions are in good standing; their earning capacity shows that; they are controlled by the very best class of citizens we have.

Q. What class of corporations? A. Well, American Type Foundry, H. B. Claflin.

Q. Have Claflins incorporated in another State? A. In New Jersey.

Q. And still the goods they sell to the retail dealers; those are taxable as personal property? A. The chances are that ninety per cent of their receipts are taken right in New York.

Q. They are not exempt altogether on their personal property, are they; is not all their capital here? A. Over and above their indebtedness; are subject to whatever part of the capital is located here over their indebtedness.

Q. We know H. B. Claflin & Co. are here in the city? A. We see the sign up, but we don't know how much goods is consigned to them exempt from taxation.

Q. Why do they incorporate in New Jersey? A. Because I suppose they are not annoyed every year; they are not obliged to make returns every year.

By Mr. Coggeshall.

Q. They have to pay a tax every year? A. Yes, sir; a small tax.

Q. How much? A. A very small; I think it is one-eighth of one per cent here in New York, and the reorganizations over there, I think it is very low indeed.

By Mr. Creamer.

Q. Do you know that the law has been changed as to filing annual statements? A. Two years ago.

Q. They have to file annual statements in New Jersey now, don't they? A. I don't know.

Q. They are exempt from liability, that is, the shareholders, in New Jersey, are they? A. Yes, sir.

Q. They went there to avoid the corporation tax, is that what you think? A. I don't believe that.

Q. What benefit do they get; what benefit do they derive by going to New Jersey in view of the fact that all their capital is located here, and their business is all done here, except their books may be kept over there; what benefit do they derive by incorporating over there? A. Their capital stock would be liable to taxation here.

Q. Aside from the corporation tax? A. That is a very important thing; it comes up almost every day.

Q. Do you know how much that is? A. I don't know.

Q. Do you know whether it is any more here than over there? A. It is a very small fraction over there to what it is here.

Q. Do you know anything about that? A. No, sir.

Q. Do you know they went there for that purpose? A. Yes, sir; from my experience talking with parties who were continually changing.

Q. About this company; do you know of your own knowledge? A. No, sir; I do not.

Q. Do you think the corporation tax is too high here; is that your idea? A. I think the tax upon all personal property is altogether out of proportion to what it should be.

Q. And yet it is much less than the real estate tax, is it not? A. Same rate.

Q. But it escapes taxation; the property that is in the city — personal property — does not bear its just proportion; and you think that it should bear still less? A. I think that so far as New York city is concerned there should be no such tax.

Q. Would you increase the tax upon real estate? A. That is well enough as it stands.

Q. If you reduce the taxable personal property your idea is that there would be more of it remain here and by a less tax upon personal property you would raise more money for State purposes? A. I would guarantee that if the tax was removed from personal property altogether, and a small tax put upon corporate property, that in less than ten years we would collect four times as much as we collect now on corporate property, and the assessed value of real estate would run up to $2,000,000,000, without increasing the present rate.

Q. Do you refer to the county of New York? A. Yes, sir.

Q. You don't mean that generally? A. No, sir; I am talking about the city and county of New York; if such a thing was done, that the receipts we are entitled to, the sinking fund, which amounts to ten or twelve million; we could raise 40,000,000 a year.

Q. Why should not personal property pay some taxes? A. They will pay it by inviting them to come here.

Q. If you had more stringent laws, what then? A. You would drive them away faster, that is all.

Q. By undertaking to collect personal property, you think the city and county is going to the demnition bow-bows, is that it? A. Not at all; we would not reduce our tax upon real estate; it would be as cheap as now, and we would have so much wealth here from all parts of the world it would more than compensate it three to one.

By Mr. Gifford.

Q. Would not such a condition attract capital from all over the State? A. From all over the world.

Q. Then wouldn't it damage the rest of the State while benefiting your city? A. No, sir; whatever benefits us benefits the rest of the State.

By the Chairman.

Q. What effect do you think that would have in Chautauqua county? A. It would increase the real estate in the entire State.

Q. Give us an estimate? A. I have destroyed all my records for the last twenty-five years; I have been a sort of star witness on every kind of investigation coming up, and when I left the office I destroyed all my papers; I didn't want to hear anything more about it; I have left it behind me.

By Mr. Creamer.

Q. You made a statement that something would increase the assessed valuation of real estate to two thousand millions; what do you think would have that tendency? A. By relieving individuals from any tax upon personal property.

Q. There are about 11,000 of them now? A. I don't care; that would bring in 100,000 more; we have chased them away.

Q. Driven away capital? A. Individual capital.

Q. Mr. Claflin is not a case in point; he has not been chased away? A. He might have a residence here.

Q. He is a very prominent exile so far as New York is concerned? A. Very well.

Q. For a number of years they have had personal tax laws in Pennsylvania and Connecticut; they raise on corporations alone in Pennsylvania enough to pay their State taxes? A. I recommended the State committee that was sitting at the Union Square hotel, on Fourteenth street — Mr. Plunkitt was one of them — to follow out the Pennsylvania tax law by taxing corporations upon their gross receipts.

Q. Has that had an injurious effect in Pennsylvania? A. No, sir.

Q. They collect much more than we do here? A. A great deal more.

Q. Five million dollars against our one? A. Yes, sir.

Q. That shows a rather healthy state of affairs as regards corporations? A. Yes, sir.

Q. Why can not we have the same? A. We are not located the same as Philadelphia; remove Jersey or connect Jersey to New York.

Q. It is a matter of location and not of principle? A. It is location; I am talking for New York city.

Q. What would you suggest that will give us taxes, because the government must have taxes; your great financial center needs money to support it? A. Our great financial center is the best city in the world where property can be protected at a much lower rate than any other; let them locate here; invite them here.

Q. Those men that are here, and who are accumulating millions by being untaxed; should not they pay taxes? A. You can not answer those questions now, when you have silver certificates

and government bonds, and all those things, allowing those people to hold those things over night.

Q. Do you not think this personal property that has grown up in your day that had no existence when you went into the tax office, but materialized 50,000,000 during your administration should contribute? A. What property?

Q. Take Western Union or Manhattan? A. They could locate in Jersey City.

Q. Possibly people would not like to have the elevated road in Jersey City? A. You take Western Union, you could drive that away if you wanted to.

Q. Don't you suppose a rival company would spring up here in twenty-four hours? A. Not if you are going to tax them to death.

Q. We have not taxed them at all; is there any danger of the Manhattan Elevated railway leaving this city? A. They can not.

Q. Then why should it not be taxed? A. It is taxed.

Q. In proportion to its cash capital? A. In proportion to what it cost.

Q. Is it taxed in proportion to what it would sell for to-day? A. Certainly it is.

Q. I don't see any reason that you can not be a little more frank. A. The Court of Appeals has decided that, and I am not going to criticize their decision.

Q. I am not asking you to do that; should not this property be taxed at what it would bring in the market; that is what your successor Mr. Fietner states? A. The structure is taxed what it costs.

Q. Then the elevated railway is taxed what it cost? A. Yes, sir.

Q. But the Equitable Life building is taxed what it would bring, and not what it cost; you laid down a precedent, and it seems they have followed your rule since you left the office; the Equitable building is assessed what it would bring and the elevated railway what it would cost? A. The Equitable build-

ing is assessed what it would bring in proportion to the assessments of adjacent property; what it cost by the different alterations made to suit their business — their improvements down there where they have located have made values large through the second, third and fourth wards, which we have reaped the benefits of ten times over.

Q. Should not those men who have accumulated those large amounts in your day, commencing with small sums, not much over $100,000, that has run up to millions and millions — would it not be justice to the people of the city and State to require those people to pay or contribute a small moiety — some percentage of their vast earnings? A. If you can possible make a law by which personal taxation will be so light that it will be no bar to our prosperity, that it will invite capital here and hold it among us I would be in favor of it very much, but when you try to tax a thing that can go away it will be an injury to us, and if you can hold that thing here it will be a benefit and assistance, then you had better try to hold it here.

Q. The question is this, that where you see property increasing year after year, by doubling their capital stock, based upon their surplus earnings, don't you think it should be taxed? A. Then let them go in the gross receipts, then they all pay their share; the millionaire who owns those things pays his share.

Q. But some of them now pay nothing? A. You can not reach them; how can you make them pay under the law?

Q. Those personal tax laws have been changed many times while you were commissioner? A. You can see how difficult it was when the first suit of the Williamsburgh railway v. the city of Brooklyn, nearly compelled them to take out their plant and their holding; and then the Twenty-third Street railroad compelled the commissioners to take that and take only the assessed value, and then the Union Trust Company decision came, you can see how difficult it was.

Q. They changed the law while you were a commissioner, did they not? A. In what way?

Q. I asked that question? A. Not while I was commissioner; no.

Q. While you were in the office the law was changed? A. Yes, sir.

Q. You were consulted with everything in connection with the office, more or less? A. Not on personal taxation.

Q. Not on personal taxation? A. No; I was always opposed to that.

Q. While you were deputy? A. While I was deputy I don't think they ever consulted me after Mr. Andrews' death; the other commissoners didn't think I was worth while.

Q. We understand here that it is the deputy that makes the assessment on personal taxation? A. Well, that has not been the custom for many years.

Q. What is the law? A. The law says that the deputy shall make the assessment on real and personal property within the confines of his district, but we appointed a deputy at large for personal property and gave him what we thought discretionary power to make the assessments in every ward.

Q. What would you suggest now as a remedy towards reorganization of the staff; is there a sufficient staff there in the present office? A. There is not.

Q. What do you suggest in regard to the system that prevails; what would you suggest as regards a reorganization of any department or bureau in connection with that office, as to the system? A. The system is all right, except to abolish the personal department.

Q. Have no personal? A. The personal department; the three commissioners can fairly do the work, and no less than three should be appointed; there should be at least seventeen to twenty deputies, and they should be fairly paid.

Q. Seventeen to twenty? A. Yes, sir.

Q. Divide it into districts? A. Into wards; some wards are large enough for two deputies; the twelfth ward, for instance, two men should be appointed there with two clerks.

Q. Where there are but thirteen now in your judgment it would be better to have seventeen to twenty? A. Yes, sir.

Q. Would you combine the personal with the real estate? A. I would not advise anything about the personal assessment; I would have it separate.

Q. Those deputies would apply to real estate? A. Yes, sir.

Q. As to personal? A. I would have sufficient help; the personal department as it carried on and at the present time should have five men.

Q. Five deputies? A. No; one deputy with one assistant and three clerks.

Q. What would be their duty as regards making up the assessment-rolls? A. One would have charge of the corporations and the other three should have charge of the personal assessment books; the other should have charge of the non-resident personal book, all under the supervision of this one man, of course.

Q. Do you think that one man could very well look after such an immense field? A. Yes, sir.

Q. What duty would you prescribe for him as regards correcting any failure to have the names on the books that were off a year ago, to have them added on? A. I would not have the law changed as regards that.

Q. I mean as to his duty? A. Do the very best he could.

Q. What does that consist of? A. Getting all the information from the different directories, business firms and all that.

Q. How could a man do that? A. He can by a system very easily.

Q. Tell us how. A. I could not tell you; it is a matter of detail I am familiar with; from my experience I only say I think it can be done.

Q. Then, you think you could do it if you were there? A. I think I could, and I think others could do it as well as I can.

Q. Is it not true that the rolls are left to a considerable extent just as they have been year after year? A. They look over the records in different papers; they have men pretty well drilled in regard to that; whatever information is to be obtained they go and get it; of course, dealing with individuals, you have to

deal with them lightly, or they will take wings and fly like the rest of them.

Q. As regards property exempt under the law, your attention has been called to that? A. Yes, sir.

Q. Was any effort made while you were commissioner to perfect the law? A. I have several times protested in regard to resolutions introduced about tax matters, because I have always thought that patching this old machine up with a rivet here and a rivet there was doing us more damage; I have been in favor for the last twenty years of revising the tax laws of the State, but in looking back I can not see where we have made any progress by any laws that have been made.

Q. You did not have anything to do with the making of those laws? A. I say, in looking back, I can not see that it has been of any benefit.

Q. Has the department done anything? A. If you will remember, Mr. George H. Andrews, from 1867 to the time of his death, never left a year go by without an appeal to the Legislature showing the condition of affairs here on account of our tax laws.

Q. In what respect did he complain of them? A. The manner in which the laws were administered here, in which they were obliged to be adminstered under the law.

Q. As regards real estate or personal? A. Personal and corporate property.

Q. He kept complaining? A. All the time.

Q. What was he complaining of specially? A. About the manner in which he thought capital was being driven out of the city.

Q. You and he agreed? A. On many points we did.

Q. He was always complaining that capital was being driven away? A. Yes, sir.

Q. Has the result proved that he was right? A. Yes, sir.

Q. It is rather a healthy city, financially? A. Yes, sir.

Q. He was not a good prophet? A. I think he was in regard to the stand he took, about forcing capital out of the city.

Q. Real estate that has been taxed has increased, and personal property not taxed at all has decreased? A. Yes, sir.

Q. Therefore, Mr. Andrews could not have been a very good prophet? A. Yes, sir; he was.

Q. Real estate has doubled since the time he was a commissioner? A. Yes, sir.

Q. And it has been taxed? A. Yes, sir.

Q. And personal property has decreased, and that is not taxed at all; why is that? A. Because the law allows it to be decreased; it allows it to be changed; people are becoming more clever every day; for many years it was a tax upon ignorance and honesty; that day has gone by.

Q. This personal tax is a tax upon ignorance and honesty? A. Yes, sir; and has been for many years.

Q. Should not that be abolished by changing the law? A. Abolish it altogether.

By Mr. Coggeshall.

Q. Has capital been driven out of the State, do you think, by the tax upon personal property alone, or has it been more on account of the corporation tax, so called? A. Both.

Q. Has it not been more by reason of the corporation tax that capital has been driven out of the State? A. Not out of the State altogether, but it has partially out of the State; it seems to me we have suffered severely on account of the taxes; individuals have located outside of the county; they come here and live in the hotels in the winter; we have increased the hotels twenty times to what it was twenty years ago, and apartment houses one hundred per cent.

Q. Do you attribute it to that? A. I do; millionaires don't come here.

Q. Is it not a desire to go out to the suburban country? A. No, sir; they can make better arrangements in the country than here; they can make no arrangements here except through affidavit.

Q. In other words, they go to the suburban towns and over to New Jersey to escape taxation on their personal property? A. I am certain of it.

Q. Do you think that is right? A. It is not right; I want to have the law changed to hold them here, so that they can build their residences here.

Q. Where is there a city or State that imposes no tax on personal property? A. I don't know of any, but we can afford to do it here.

Q. I think it will be a mighty dangerous experiment? A. That is where I differ with you.

Q. Great minds sometimes do differ? A. I think we are more prosperous every way than any other city in the United States.

Q. What do you say as to the prosperity of this great metropolis compared with any other city in the union? A. I think we are greater.

Q. Have you not increased as rapidly as the city of Philadelphia? A. More rapidly.

Q. Are you not satisfied with the growth of New York? A. Not in comparison with its natural advantages.

Q. We are getting along better than the others? A. Why shouldn't we?

Q. We had better let well enough alone, and those fellows that are so unpatriotic that they want to leave New York for the purpose of obviating the duties that rest upon them as citizens in helping to pay to support the government of the city, I think we had better let them go? A. Then stop the subject of agitation on this subject of taxation.

Q. You object to the agitation; if the people stopped agitation you would think we were all right? A. No, sir; I say we could do better to bring capital back here as long as we can not tax it; we would all benefit by their residence here.

Q. If you take the tax off personal property? A. Put it on the buildings.

Q. When you go up the State, how will that affect the farms; that would throw the burden upon the farms, would it not? A. It would make it a little heavy, but at the same time our values would increase so much more rapidly.

Q. You would increase here to the detriment of the people in the country? A. Not to their disadvantage.

Q. Most assuredly it would be to their disadvantage if personal property was exempted? A. The small amount we lost in personal property would be made up in the increase in value.

Q. How about the country? A. Then put it upon us; we can afford to do it.

Q. It is all right as a theory, but in the language of Grover, you would be confronted with a condition; if people found they were required to pay the local taxes in Oneida county they would remonstrate; another thing, I don't believe you could pass a law that the Court of Appeals hold constitutional? A. What is the small local tax now compared to what it was in 1865 to 1873; what is the small local tax in the different counties?

Q. What is the relative value of real estate in the country now compared with then? A. Two or three times over.

Q. It is at least fifty per cent less? A. I mean the assessed value has been raised.

Q. And the actual value has been decreased? A. In certain farming countries it has; our city debt is now very low.

Q. We ought to take care of ourselves by taxing those corporations; your city pays a large share of taxes because she is wealthy? A. Yes, sir; and she would be more wealthy if the law was changed; that thing has been gone over for twenty years; we have shown that our proper proportion was twenty-eight instead of thirty-eight.

Q. What do you think of the listing system? A. I am opposed to it; it would drive people away to other States; it has hurt some of the best citizens of Philadelphia.

Q. You mean the wealthy citizens? A. Yes, sir.

Q. Are they the best citizens? A. People who are prosperous are generally the best people.

Q. You estimate a man's comparative merit by the amount of money he owns? A. Not at all, but a man who works up from a poor boy and is prosperous, I think he is a good man.

Q. Should he not help to pay taxes? A. They all help, but they don't want to be continually picked up and fired at all the time.

Q. If this law has been in vogue in the State of Pennsylvania, Massachusetts and Ohio and elsewhere for several years and has been successful, why do you object to it? A. Because in every one of those places you get the report of the tax gatherer and he will tell you that they are losing the best quality of their people; look at the result in Chicago.

Q. Chicago seems to be all right; you say that the listing system is driving wealth out of the State of Illinois? A. It is claimed so by those who are administering the laws.

Q. You claim here that taxing personal property drives wealth out of the State? A. Yes, sir.

Q. Now, what further remedy would you suggest excepting to leave taxation entirely off personal property and put it on to real estate? A. In the first place, separate New York from those other States; don't compare us to Philadelphia or Boston or Chicago; they are not in it with us at all, providing you give liberal laws.

Q. They are not in it with us? A. No, sir; not even with all the disadvantages we labor under in repard to capital; but it seems to me when you find the best class of people going out, and two classes coming here, one living in hotels and apartments and the other in tenements, we are losing our best people; the people in hotels all live in the country and have their mansions and they take a suite of rooms when they live here.

Q. If you listed them you could reach them? A. They would go to Europe then.

Q. Do you think New York would be absolutely deserted? A. No, sir; there is nothing that would destroy New York.

By Mr. Creamer.

Q. Bank shares, they pay? A. They do.

Q. Any of them run away? A. No.

Q. That is a fair criterion, is it not, as to what effect taxation would have on citizens? A. Of course.

Q. A majority of our bank presidents are intelligent citizens and reputable citizens? A. Certainly.

Q. Isn't that a fair criterion to show that it is not oppressive? A. Where does it come from; it comes from all over the world.

Q. It shows prosperity in the city of New York? A. I know it does, but it comes from all over the world; the depositors don't all live in New York.

Q. Now, during the time of your experience as city official the prosperity of the city has increased, and you have had a fair opportunity to judge, you have seen this city grow up in its various sections, east and west and north; have you not noticed a remarkable increase in population per square mile in certain locations of this city? A. Yes, sir.

Q. Owing to this taxation on real estate? A. Not altogether to that, owing to rapid transit.

Q. The rapid transit saved the population from becoming more dense? A. It is pretty hard to become more dense.

Q. It has during your term as tax commissioner? A. Yes, sir.

Q. How as regards those people that you said are leaving the city owing to personal taxes; how many are compelled and dispossesed from their residences on account of inability to pay the high rents that the high taxes on real estate require; are you aware that the records show that there were 30,000 people dispossessed in this city last year on account of non-payment of rent, the landlord having to have his taxes; did you ever give that branch of the subject any thought while you were looking after the interests of those successful people? A. I was not looking after the interests of those successful people.

Q. I mean as you noticed those people growing richer and richer you certainly must have noticed that this system of dispossession for non-payment of rent owing to high rent and high taxes was affecting a large class of people who can not help themselves? A. Unfortunately I did not know there was as many as 30,000; I didn't know that those people came into the subject of taxation at all.

Q. What people? A. Those people dispossessed.

Q. Who said they were? A. You spoke about it.

Q. They are dispossessed because they don't pay their rent; you know that they assess land on which those double deck tenements have been constructed and have been increased year after year, and that system is increasing here owing to the unequal system of assessing the wealth of this county. (No answer.)

By the Chairman.

Q. You heard Commissioner Feitner say that he favored the divorcing of the collection of State and local taxes? A. Yes, sir.

Q. What do you recommend in that regard? A. I think that would be a step in the right direction.

Q. Then you recommend that there should be a separation? A. Yes, sir.

Q. That would do away with this question of equalization? A. Yes, sir; and this friction year after year in regard to counties.

Q. Now, one of the questions that this committee is considering is not so much what can be done under the present law, but what recommendations can make as to modifications or amendments to the existing law; I understand you, I think, to recommend that you would favor the repeal of the law which justifies the assessment of personal property altogether? A. In the hands of individuals.

Q. But not as to corporations? A. No, sir.

Q. Do you intend that that recommendation should apply generally throughout the State of New York, or only to the county of New York? A. It ought to apply throughout the State.

Q. In your opinion, you think it would have a beneficial result throughout the State? A. As far as New York is concerned, I am certain, and I think it would be a benefit throughout the State.

Q. Then, in your opinion as a tax commissioner, do you think that personal property in the hands of individuals in the city of New York has borne a fair share of the expenses of government? A. Not a fair share, but it has borne all we could get under the present law; there is no place that the tax commissioners have

striven so hard to obtain the tax as they have in New York on personal property in the hands of individuals.

Q. Then, you think that if the policy of taxing personal property is to continue, that the present law is defective? A. I am certain of it.

Q. In what respects do you think the present law defective so far as it applies to the assessment of personal property? A. I am so utterly opposed to any tax upon personal property that even if I knew some suggestions to make by which you could take and oppress people a year or two by more taxes upon personal property, I don't know as I would suggest it to you, because it would be injurious in the end; you take and put a tax upon mortgages; twenty-four hours after the tax would be put upon mortgages, every blank would be filled out that the party borrowing the money should pay the tax, and it would be only an oppression upon the poor man.

Q. Aside from your personal view; suppose it should continue to be the policy of the state to assess personal property, in what respect do you think the law is defective now? A. The value of money in New York will not allow it to come here and have a personal tax upon it at the same rate as real estate; you can make the law so light that it will come here instead of going away; you can bring it here and make the tax so light that it will attract it here, of that I am certain; perhaps, one-tenth of one per cent, or even one-fourth of one per cent, and inside of ten years you will collect ten times the amount that you collect to-day on personal property.

Q. You still hold to answering upon the basis of your personal view; suppose that the State should continue its policy of assessing personal property; it is conceded now that under the law it can not be reached; what suggestions have you got to make, if any, as to how the law should be amended in order to reach this personal property? A. I would have to write that down; I would have to embody that in a note; I would have to go over that very carefully.

Q. Suppose the State should continue its policy as to personal property, would you recommend an amendment to the law so

as to disallow indebtedness — claims for indebtedness? A. I think I would prefer the law as it has been changed lately, because it was disgusting the way the law was before, by which people could go down in twenty-four hours and charge their assets, go up and get their assessments off, which was sustained by the Court of Appeals; the law ought to stand as it has been amended.

By Mr. Quigley.

Q. When was it amended? A. This last year, I think.

Q. What is the effect of that amendment? A. I don't know; I have not been in the tax office

Q. You say that the reason this capital is driven out of the State is because of our existing law? A. Yes, sir.

Q. Is it not virtually the same law we had in 1857? A. Yes, sir.

Q. Do you mean to say that capital has been driven out because of that law of 1857? A. The laws of 1857.

Q. Didn't they live under that law for a number of years in this State? A. We have changed so wonderfully in our business and wealth has accumulated so rapidly since the war.

Q. When was the change so wonderful that they had to get out? A. In 1869, when they came here; we never knew the damages of a personal tax until then.

Q. Is it not more because of the effort of the authorities to enforce the law that they get out? A. Yes, sir.

Q. Why was that movement made in 1869? A. Because the papers announced that so and so was worth so many millions, driven from California by this man Dennis Kearney.

By Mr. Creamer.

Q. How many names were added to the books that year that had previously escaped? A. I could not tell you how many names; we took the newspapers that year, 1879 and 1880; from the information received all those men were placed upon the records; they only stayed there a year.

Q. Is it not true that on several occasion special corporations and large capitalists have had those laws amended to suit

themselves at Albany; and that that does not reach; why is it this State is so many years behind in its tax laws, and it seems to be impossible to do any thing with them; is it not owing to those immense corporations who have such power to prevent it? A. The only law that has been changed that has been detrimental to the city's interest at large was the law saving the capital of fire companies; as soon as I saw that bill I went to the governor; I appealed to him and he sent to the attorney-general; he said I was wrong as to the construction of the bill, but the Court of Appeals declared that the $72,000,000 was not liable to taxation.

Q. All the legislation that has been proposed to bring them within the limit of taxation those corporations that were exempt when in their infancy was thirty years ago, and every time there has been a movement made at the State capitol to change the law as regards such corporations their attorneys succeeded in defeating the law? A. That I do not know; I went to Albany on taxation matters.

Q. Have you not an opinion about this thing as to the way this gross inequality grew up? A. Not a thing; I was rather liberal in regard to those mutual corporations; about that $72,000,000, three-fourths of the money that flow into their assets here come from people outside of the State.

Q. I mean the people who are already in the State and flourishing? A. I mean the great men who support those corporations, that come here and build their elegant buildings and raise our values; I would like to see a thousand more come whether they are moral or not.

Q. What is your opinion on this inheritance tax question? A. I have not given that any thought.

Q. In your connection with the taxation of this city you must have an opinion? A. No; it was not in existence when I was in the tax office at all; I understand it is $500 and $10,000; I understand those are the sums; I have not bothered about it at all; in fact, I have left all matters municipal go behind.

Q. All you wanted was the benefit of your great experience? A. I am willing to do anything.

The committee then went into executive session.

On motion the committee adjourned to meet in the Superior Court, Part 2, on Wednesday, December 21, 1892, at 1.30 p. m.

---

New York, Superior Court, Part 2,

December 21, 1892.

The committee met pursuant to adjournment.

The committee was called to order by the chairman.

George S. Coleman, a witness called, being duly sworn, testified as follows:

By Mr. Creamer.

Q. You were formerly connected with the corporation counsel's office? A. Yes, sir.

Q. During what period? A. From October, 1885, to the 1st of June, 1892.

Q. October, 1885, to the first of June, 1892? A. Yes, sir.

Q. What was the branch of duty in the corporation counsel's office that you occupied? A. I had charge of all matters relating to taxing, which included advising the commissioners of taxes, or advising the heads of city departments, under the direction of the corporation counsel, and of representing the city in tax litigations.

Q. Had you exclusive charge, or did all matters concerning taxation in regard to this county and its relations with the State come within your observation? A. I think so; in some cases there were other counsel employed, but in those instances I worked with them.

Q. During that period there was legislation on the subject of taxation? A. Yes, sir.

Q. Each year did that legislation take place, and what was the character of it? A. I could not say offhand; I know there were tax bills introduced almost every year, and the connection of the

office with them would be generally only in those cases that apparently affected the city of New York; the representative of the law department at the Legislature would submit to the corporation counsel a bill as soon as printed, and the corporation counsel would refer it generally to me to see whether it affected New York county; if it did, why we would consult as to whether or not it would seem for the interest of the city to favor or oppose the bill, and if it did not affect this county we paid no attention to it.

Q. During the year 1885, do you remember of any bill emanating from your office to send to Albany the following session — in the following year? A. I don't recall now; I went there in October, and the gentleman whom I succeeded was taken ill, and threw the work of the department on my hands; I have no recollection of legislation.

Q. We will take the first year of your administration of the duties of the tax branch of the corporation counsel's office to this city; what do you remember as being your first experience? A. The first bill that I recollect now was an act in 1886 with respect to insurance companies.

Q. Fire and marine? A. Fire and marine insurance companies, domestic and foreign.

Q. Did that cover life insurance? A. No; I think not.

Q. Fire and marine in 1886? A. Fire and marine; I think it was chapter 679 of the Laws of 1886; it regulated the taxation of those companies, and took away the right of the municipality to tax anything except real estate.

Q. Previous to that the municipality had the power to tax them the same as other personal property? A. Yes, sir; the same as other corporations; it had the right to tax the capital stock.

Q. It affected the insurance companies of the entire State? A. Yes, sir; that affected all of them.

Q. Did that bill emanate from your office? A. No, sir; but it was submitted to the office, and a suggestion made with reference to it.

Q. Who submitted it to your office? A. I do not know; but I do know that it was submitted to me.

Q. By whom? A. By Mr. Francis M. Scott, who at that time had charge, I think, of the law department interests at Albany.

Q. Well, what was done in connection with it? A. I remember making a suggestion to put in three words in that bill, the words, "for State purposes," which would remove any doubt as to whether or not we could tax those companies legally.

Q. On real estate? A. If the words, "for State purposes," had been put in in a certificate, under the decision of the Court of Appeals, which was known at that time it would show the intention of the Legislature to allow the State and county to tax those corporations just as before on their capital stock; the only difference would have been that they would have been taxed at a lower rate, because their franchise was being taxed, but if those words were not in it might leave doubt as to whether or not the Legislature intended us to tax anything except the real estate, because the provisions were very sweeping.

Q. Do you remember who introduced the bill? A. No, sir; I simply saw the printed proof as it came from Albany.

Q. Did you ascertain how much of a revenue the city was to lose by the passage of such an act? A. Only in a general way; I knew at that time what the insurance companies were assessed at; it was over $50,000 a year — this tax; the tax would be something more than $50,000 a year.

Q. Well, what was done in connection with it by your department? A. I think Mr. Scott called the matter up before the committee that had charge of the bill and wanted those words inserted; that of course is purely hearsay; my recollection is that he made that statement to the committee and it was represented that the words were not necessary; that it was not the intention of the act to exempt those companies from local taxation on their capital, and that even if those words were not put in, the result would be as they intended; my impression then is that the bill went through; it was passed by both Houses, signed by the Governor, and that then there was considerable criticism through the newspapers by the commissioners of assessments here; it got into the press of the city and it was called to the attention of the Governor and the Governor submitted the question to the

Attorney-General; the Attorney-General wrote quite a long opinion stating that it did not affect local taxation, and that I believe for a time quieted the apprehension; that was the opinion of the Attorney-General, but it was since overruled by the Court of Appeals four years ago, so that a few years ago those companies were assessed when by the court's construction of the law there was no authority to assess them.

Q. Then the Attorney-General was wrong? A. Yes, sir.

By the Chairman.

Q. What act was that? A. I think it is chapter 679 in relation to marine insurance.

By Mr. Creamer.

Q. During your administration—or the subsequent incumbency—of your position in the corporation counsel's office, what other matter of importance was your office consulted in relation to? A. Legislation?

Q. Yes, sir; in reference to this subject of taxation? A. I might say the act of 1886 was modified in 1891 so as to affect of the decision of the Court of Appeals.

By Mr. Guenther.

Q. To what extent? A. By putting in the words "for State purposes."

Q. Then you can tax them now? A. You can tax them now; I can not recall now specifically the matters that were introduced for the purpose of legislation; I simply thought from time to time, bills would be submitted, and I would make a memorandum in pencil, and either send them to the corporation counsel or confer with him personally, or with the party who had charge of legislative matters for the law department at Albany; I do not now recall the particular acts.

By Mr. Creamer.

Q. What has been the experience of your department — the corporation counsel's office — representing tax office affairs as far

as the interests of this municipality is concerned as to the passage of bills affecting the interests of this city in connection with its system of taxation? A. Well, I have not really had much practically to do with that.

Q. Well, outside of this act of 1886 you do not remember any other legislation in relation to this question? A. I presume I could; I presume I could go over my memoranda and over the statute and find others that have been passed, but I do not recall any other.

Q. I want to ascertain whether any effort has been made on the part of the local authorities through the office that you were connected with to change a universally admitted weakness of the laws on taxation; what effort, if any, has been made on the part of the taxation branch of the corporation counsel's office to bring about a change, if any — whether your movements in that direction have been countenanced in Albony at the State capitol, and what remedy there is in the future? A. I can not answer that very thoroughly, as I said before, my personal connection with those matters was only in cases where specific matters were submitted to me; my duties there were such that they required nearly all my time, in fact, quite all my time in the particular things I had in hand; I do know that in 1885 the Consolidation Act was amended with reference to the method of reviewing the methods of taxation, so as to make a differences between the method of this county and other counties in the State in this respect; the law of 1888, chapter 69, provides for a certiorari to review illegality, inequality or error; now, in the county of New York, if people were permitted to review inequality, the result would be such a crop of litigation that it might tie up taxes for an indefinite period, and put a good deal of expense and burden on the city, and the Consolidation Act was so amended, though the act of 1880 does not apply in full to the county of New York, but in this county tax can be reviewed only when it is illegal, or when it represents an overvaluation of property, and it is not possible only in this county to review a tax on the ground that your neighbor has been taxed lower than you, or that you have been

taxed higher than your neighbor; you are confined as to the remedy as to the legality of the tax or to the overvaluation of your property; that has been decided as to whether it is constitutional, and the courts have affirmed it; I would say it is an administrative measure which saves a good deal of litigation.

Q. When was this decision of the Court of Appeals in relation to business associations? A. Insurance companies?

Q. Business corporations — joint-stock companies? A. There was a decision of the Court of Appeals last June in connection with joint-stock companies which practically exempted about 40,000,000 of capital in this city alone from taxation; that represented, I think, simply the capital of the express companies, and did not include any of the other joint-stock companies.

Q. The decision? A. The decision affected a particular express company, but the principle of that decision affected every joint-stock company in the State that was not a corporation.

Q. Previous to that decision those corporations had been paying taxes? A. Yes, sir; they had been assessed and paying taxes on that large amount, 40,000,000; they had been treated as corporations, and many of them had property out of the State, and many had their capital in non-taxable securities, and a good deal of the property represented real estate, and the assessment would not be, of course, anything like 40,000,000, but that was their capitalization, and the property was worth that, and the decision of the Court of Appeals necessarily took them out of the jurisdiction of the tax commissioners.

Q. What was the language of the decision? A. That decision held that a joint-stock company formed by mutual agreement instead of by act of the Legislature was not a corporation within the meaning of the Revised Statutes authorizing taxation on their capital; in other words, the Revised Statutes say that the capital stock of every corporation shall be taxed so and so; they do not include joint-stock companies; consequently, as you now tax the company, and as there is no law requiring a list of the stockholders to be filed anywhere or made public there is no practical means to reach the assets of this company unless they happen to be in the form of real estate.

Q. That is a case requiring future legislation? A. I think so; I think those express companies and other joint-stock companies which issue certificates of stock and have the practical powers of a corporation should be put on the same plane as a corporation.

Q. Otherwise those organized under the general law may disband and form a new company with articles of association, without being incorporated, and be exempt from taxation? A. Under that decision, if they were simply formed by agreement and not incorporated, you could not tax them as a body.

Q. Would they lose any rights that they now possess by making the change as owners of the stock or anything? A. They would be liable individually for the debts of the company unless the statutes are modified.

Q. Are they not liable now? A. The shareholders of a corporation?

Q. Yes, sir. A. No, sir.

Q. Not liable for the amount of their stock or holdings? A. Not if they have paid in; the assets of the company would be liable but not the individual stockholders; whereas in those joint stock companies, particularly the express companies, the individual liability of the stockholders remains in full, but that, of course, was easily obviated in many companies by having dummies own shares of stock.

By Mr. Guenther.

Q. Have you seen the revision of the corporation laws passed last winter? A. Part way through I have.

Q. The term "joint stock corporations," does not that include those express companies now? A. I have not read that within some time.

Q. I believe it is under the head of the transportation companies? A. I read that thinking possibly it might have changed the laws, but I don't think it does; they are taxed by the State under the act of 1880, and this amendment which taxes every franchise and business; they are taxed there as if they were corporations.

Q. You don't think this revision includes them as corporations for the purpose of taxation? A. I don't think it does; that is my impression in reading the revision.

By Mr. Creamer.

Q. As regards telegraph, telephone, subway and other such companies, what has been the experience of the office as regards the collection of taxes and assessments? A. I believe that in respect to telegraph companies it has been satisfactory; as we understand the law the amount of assessment would have to be small, and seemed to be measured by the value of their poles, lines, and so forth; capital stock equal to the value of that plant practically; if you applied the law strictly you would have to deduct that same amount because it was to be assessed as real estate.

Q. What law was that? A. There were several laws; I can not tell the exact chapter of the law; I know it came that there was so little derived from them under the usual laws that most of them made application to be stricken from the rolls, and one or two cases taken to the courts where we tried to hold them, the court decided they were not liable beyond the extent they had claimed — beyond $500; that was the assessment, $500.

Q. Has any effort been made to amend the law in that respect? A. I don't know; I might say here that I have had very little to do with the legislative part of the business, or even to the extent of suggesting it.

Q. Mr. Scott attended to that, and Mr. Blandy? A. Mr. Scott while he was there and Mr. Blandy subsequently; I don't know whether Mr. Blandy attempted to initiate legislation, but I know he represented the department there.

Q. As to telephone and subway companies, what is your experience? A. I think the telephone companies practically come under the provision for telegraph companies.

Q. Has the law been amended so as to exempt them? A. I don't know how the law originated, but as I remember the law related to the taxation of their poles and wires.

Q. What law was that? A. I can not tell you now when that law was passed.

Q. Eighteen hundred and fifty-three, was it not? A. There was a law of 1853 amended, I think, in 1871; I have had very little to do with the taxation of telephone and telegraph companies; it has not come under my observation.

Q. Who in your office did? A. I mean to say there has been no litigation since I have been there that would bring that question up; I think there was before my time, but not since 1885, with the exception of this one case.

Q. That is, the tax commissioners have not asked for interference on your part in connection with the non-collection of assessments on their property? A. I do not remember; there was a company, the Postal Telegraph and the Mexican Central, that were assessed, and in those cases we put in a return writ of certiorari; we tried to hold the companies; it was argued at Special Term and the court decided that the law was as claimed by the relator, and that they could only be assessed to the extent of their plant within this city; those companies were companies which did largely a foreign business and they did not have much capital in this State; the value of their business was in what we call the franchise — the earning capacity.

Q. Do you think any change in the laws necessary as regards taxation of those properties? A. Well, I have my own views somewhat on that.

Q. That is what the committee would like to have from your experience? A. It has always seemed to me that companies like telegraph and telephone companies should be taxed.

Q. And subways? A. Yes, sir.

Q. Electric companies? A. Yes, sir; they should be taxed in respect to their revenues — their gross receipts; I do not believe that any system based on net receipts would be practical, because there are too many temptations to evade it; but it seems to me in the case of the companies I have named there should be a tax based upon their revenues.

Q. Now, this resolution requires an inquiry as to whether taxation affecting agricultural, manufacturing, commercial, labor, bank and other interests of the State has affected those interests

so largely as to drive capital from the State; has any such state of things as that been called to your attention? A. Yes; but generally by parties outside of the city government and usually in such a way as this: A party who represented a manufacturing company would complain that we were taxing them too heavily, and would say, if you keep taxing like that we will have to go outside of the State; we can not pay the taxes on our property; some years we don't make any money; some years we do, but the tax runs along on the amount of our property, and if you are going to allow us to be taxed that way it will simply result in our moving our plant out of the State.

Q. Can you give us an illustration of this state of things? A. I would not like to mention the people because as I say it has usually been made that way.

Q. In what branch; commercial or manufacturing? A. Well, both; more especially, however, manufacturing where they have to have factories and where they have to have more or less of personal property as part of their plant; if they go outside of the State and simply have an office in New York they would only be liable for the amount of their capital invested in this State, and they would get rid of all the tax on that portion of the plant which represents personal property; that would be true; I don't think there is as much difference as many imagine between what we have the right to tax against foreign corporations doing business here and against a domestic corporation, because if a corporation — a manufacturing company — simply moves its factory out of the State and then practically keeps its capital here, in bank and investments, goods sold on credit, in this State, they really practically have their personal estate subject to our tax laws; I believe that has been found so in practice.

By Mr. Guenther.

Q. Do you reach them too? A. We try to; there are some questions now before the court which in the course of a year or so will enlighten us on that question.

Q. Have you in mind any amendment to the law that would prevent it? A. If our present system is to remain in respect of taxing corporations on the actual value of their capital I think some provisions should be made to determine whether or not debts are deductable from the value of their capital stock as such; that is one point; I might illustrate it in this way: a corporation, we will say, has a capital of $1,000,000, and it is all invested in property which would be liable to taxation, either real estate or plant or merchandise which they manufacture; now, it comes around in the beginning of the year and they anticipate a large tax based upon that capital, so they borrow enough money to represent the personal estate — they do not attempt to escape from the other — they will borrow say 500,000, assuming that to be the amount of their personal property and they will come here and then they claim a deduction for the amount of the indebtedness of 500,000, which would leave nothing but the real estate to tax; now, there is a very serious question before the courts whether the actual value of that company is at all impaired by that debt of 500,000, when they have a government bond against every $1,000 of indebtedness; at the same time, that ought to be made plain somewheres.

By Mr. Creamer.

Q. Does not this legislation of last winter cover that regarding an indebtedness in government bonds? A. I think it would in a case of that sort; I think that last year's legislation might cover that point; of course, that would simply leave open the question of indebtedness.

Q. That has been a great relief, has it? A. I should think that was a very excellent law.

Q. Did that emanate from your department here? A. I don't know.

Q. You were in the office at the time? A. I was in the law department; it did not emanate from me personally.

Q. During your term of connection with the office, did any of the State authorities ever advise with you in connection with amending the laws concerning taxation? A. No; I think not;

we used to have some conversation with the State Board of Equalization, but I do not think on any other law unless possibly the savings banks; that was only a conversation.

Mr. Creamer.— I want to show, Mr. Chairman, that there has been a lack of understanding between the local authorities and the State authorities for all these years past in connection with this all important subject, and that, perhaps, to that we may attribute many of the abuses that have grown out of the personal tax system. That is especially what I want to show.

Q. Now, can you please state to the committee why it is, at least if you have looked into the subject, that such corporations as hotel companies and steamboat companies doing business in this State, why it is they organize under the laws of other States, New Jersey particularly; I believe the People's Line of Steamers, many years ago, before these special tax laws were passed concerning corporations, the Iron Steamboat Company and hotel companies here; what advantages have they under the New Jersey laws or the laws of that State that they are deprived of here, doing business alone with this State, and within this State? A. I doubt very much whether they have any particular advantages with respect to taxation; I think they have advantages with respect to the inspection of their books and the reports which they may have to make to the State department; I think that the tax on the organization of companies has tended to send some corporations out of the State, and there may be other reasons, but take the cases you mention, in respect to taxation, I doubt whether a hotel company, for example, organized under the laws of New Jersey and operating here would save much in the way of taxation.

Q. Have you any knowledge concerning a house that was mentioned here yesterday, not selecting individuals, because it is already published; Mr. Coleman mentioned the case of H. B. Claflin that organized under the laws of New Jersey and doing business in this city; what exemptions do they obtain, or profit, if any? A. I really do not know.

Q. They are held in this city as a corporation? A. They would be taxed on the actual value of their capital stock.

Q. Are they assessed here, Mr. Feitner?

Mr. Feitner.— One million five hundred thousand dollars.

Q. And they are organized under the laws of New Jersey? A. Yes, sir; their capital is 9,000,000.

Q. Will you please state to us how much they had been assessed previously as a firm? A. I do not think over $200,000.

Q. Then the city gains even if they have organized under the laws of the State of New Jersey? A. Yes, sir.

Mr. Creamer.— That is one notable incident in connection with this matter of driving capital away from this State. The reason this firm is especially mentioned is because it is if not the most conspicuous, one of the most conspisuous dry goods firms in the city, and the head of it is one of the most public spirited citizens; it was thought there must be something seriously wrong that we have driven them to organize in another State, but it seems that the record shows that the city or State does not lose any of the taxes.

Q. Now, Mr. Coleman, is there anything you can state in relation to that question of personal taxation that would assist the local authorities here in the discharge of their duties to hold this 1,700,000,000 of personal property which is assessed every year and which now escapes taxation with the exception of 300,000,000 of that assessment? A. I suppose a large part of that amount which you first mentioned, 1,700,000,000, are those original assessments against corporations, and that assessment is perhaps put down at par value of the capital of a company; the company then comes before the commissioners and shows that it is entitled to certain deductions by reason of ownership of government bonds, ownership of stocks of corporations which are not taxable, real estate, property out of the State and indebtedness, and of course I know from personal experience in examining those returns that those deductions were allowed by the commissioners and allowed under the direction of the statute, as inter-

preted by the court; of course, the only way we could increase the taxable property would be to remove some of these litigations; do away with the right to allow indebtedness; we might make property that is out of the State owned by a corporation taxable here but that offends some notions of justice; the law which you referred to a moment ago about buying exempted securities like government bonds; if that is enforced, as we think the spirit of it intends, it will prevent a good deal of evasion hereafter.

By Mr. Guenther.

Q. Do you think the enforcement of that would be the cause of driving any capital out of the State — the enforcement of the collection of the personal taxes? A. I could not say; of course, every increase in the burden of taxation makes the corporations restless the same as individuals; you can not tell in advance what the result would be in that regard; the stricter you make the law the harder it is for honest corporations, I might say, the harder it will be for dishonest ones to evade it, but a good deal of the diminution of the assessed value of the property as it is first returned in January, and as it is ultimately returned in June or May arises from the difference between the actual and par value of corporate capital; I suppose the commissioners are putting down capital valuation at what the stock would warrant; for example, a trust company has $500,000, if that were put down at that rate in the tax with the condition here in New York, it would seem like a large loss, but it is put down as the statutes are constructed by the Court of Appeals; there is a case where something should be done, either make the trust companies taxable like banks, on the shareholders, or else change the system of taxation and tax them as to their revenues, because the largest part of their assets belong to the depositors, but the trust companies, so far as complaints have been made show that they have the advantage of banks in that they practically escape taxation by holding so large a portion of their depositors' money in a form which can not be reached paying on $1,000,000 capital while they 30,000,000 assets and

surplus; all they would have to do would be to buy 4,000,000 of bonds; you can not reach it.

Q. Can not a law be passed that would affect that? A. I think it could; I have no doubt a law could be passed which would meet that difficulty; of course, if you should tax a shareholder in a trust company, then they would be on a par with banks.

Q. I suppose much of the difficulty arises from the fact of upholding those people in the intercommunication with States; has anything of that sort ever been called to your attention — non-residents residing in New Jersey, Connecticut, Rhode Island, which have recently attracted some attention? A. Yes, sir; the non-resident holder of bank stock has to pay a tax here, but a non-resident of other personal property is not liable here except for money invested in business or in the hands of an agent here; now, a person living here six months of the year might be traveling the rest of the year; perhaps have a domicile in some other State; perhaps in Westchester county, New Jersey or Rhode Island; he claims exemption here on his personal property; that case is now before the courts, the question whether because a man has his domicile outside of the State as distinguished from his residence he is liable to taxation here upon his personal property; we can not say what the result will be until we hear what the court says, but it seems to me that the same objection in a lesser degree applies to the law where the party has two residences in this State; we had a great deal of trouble in trying to fix a proper residence for taxation, and as the committee knows the suburbs of every State, sometimes called the taxpayers' paradise, has a large number of wealthy people who claim residence in the suburbs rather than the city.

Q. Taxpayers' paradise? A. I think it is usually called that.

Q. And those people who pay this personal tax are called the honest ignorant? A. That I do not know.

Q. That is the phrase that Commissioner Coleman used yesterday? A. I don't know about that.

By the Chairman.

Q. Have you ever made any comparison between the rates of taxation in those suburbs and the city with a view to ascertaining where the advantage was? A. Not so much about the rates, but I have with reference to the amounts of the assessments; several cases have come under my observation where parties have told me how much they were assessed in the country; I never knew it to come nearer than fifty per cent of the amount assessed in the city.

Q. You think the proportion of valuation is higher in the city? A. Yes, sir; I think so on people who are wealthy.

Q. What you say relates to personal property? A. Yes, sir; real estate is another branch.

By Mr. Creamer.

Q. Many of those birds of paradise live abroad and have personal property invested in this county; have you ever had any cases with them? A. You mean by "abroad," outside of the State, or other countries?

Q. In other countries; it is estimated that in every European city there is an American colony with their property vested in this city, principally in first mortgages on our real estate; have you had any experience with the taxation of mortgages in cases arising from that? A. Yes, sir; I have had this experience, which I think it is anomalous, and I think it ought to be corrected; a person residing in this State, and having invested his money in mortgages in any part of the world, is taxable upon the value of those mortgages; now, if that person happens to be a trustee and he happens to have a cotrustee who lives in New Jersey, all he need do is to send those papers to New Jersey, and put them in a safety deposit vault, and under the law of the State as declared by the Court of Appeals it is not taxable, even one-half of the estate being his proportion; I think that it is outrageous; either the law should be changed as to the resident, or modified as to the non-resident; the same person might

be taxable in his individual capacity, when if he simply represented his dead brother, property in the same situation exactly would escape taxation; I can not see any reason for that; I am not saying now whether even the individual should be taxed when he has invested his money out of the State, but in my opinion there should be no distinction between a trustee and an individual owner which arises out of the construction given by the courts to the law of 1883, which makes the provision for taxes on bonds and mortgages owned by residents in this State, but representing investment outside of this State; they unfortunately use the words "owners or owner," and did not qualify it by saying both beneficial and representative, or something to that effect, and the courts have decided it did not include trustees.

Q. In connection with this matter of taxing mortgages, have you heard of any cases where people refrained from investing in bonds and mortgages in this county on account of taxation; do you know of any such case? A. I do not myself.

Q. What you have heard was mere hearsay? A. Yes, sir.

Q. You know of no case? A. I do not myself.

Q. Where capital has fled from this city or State on account of taxation and mortgages? A. I do not.

By Mr. Guenther:

Q. You stated a few moments' ago in relation to trust companies that they do about the same business as banks do; can you make that more plain? A. What I mean is this: A trust company is the depository of funds, in fact, I think, in many cases has more than any bank in deposit; it has the privilege of loaning those moneys, and making large interest on the money loaned; it has a right to act as trustee, guardian, executor and committee, and that is another field of operation which is not usually enjoyed by money institutions; now, the owner of bank stock is liable personally for the actual value of his share of stock, and the bank is exempt from temptation on its property, except real estate, owing to an act of Congress, that is, a national bank, and our State law has made the same provision practically as to other banks; now, the

shareholder of the bank can not escape taxation unless his debts allow him to wipe it out, consequently it puts a premium on the ownership of trust company shares—to make people inclined to invest in them as against banks, because there is no taxation on the shareholders of the trust companies.

Q. You don't think they ought to enjoy that privilege? A. It does not seem to me right and proper; a trust company I would not look upon as savings banks, and in respect to savings banks, I think it has always been supposed that the deposits in savings banks were exempt from taxation; the attorneys-general of the State have given various opinions on that subject, but the Court of Appeals within two or three months, speaking through the chief judge, has said that savings banks deposits are not exempt from taxation; I believe some of the judges would not express an opinion on that point but if there is any doubt about it, it would seem to me that some provision should be made to exempt a moderate amount of savings in banks.

Q. Do you know of any attempt ever made to tax those trust companies as trustees or executors? A. Yes, sir; there are thirty such cases on the books this year, I think, where we have taxed one company as executor or guardian or trustee.

Q. Do they pay their tax? A. I presume they always do; they never object to paying taxes as trustee, because that, of course, does not come out of their shareholders.

By Mr. Gifford.

Q. How about non-residents claiming exemption on account of indebtedness? A. Our only tax against them is under the act of 1855, where we tax parties for sums of money invested in business, and that question is before the court, whether a party engaged in business here, perhaps a corporation, claims to offset their indebtedness against property in this State, and they claim to offset their entire indebtedness, whereas they may have at their home office more than enough property to meet their engagement; that is a question that is before the courts now, because the law says that they shall be assessed and taxed as other persons resid-

ing in the State; taxed as if they were residents, in other words; and the question then is how would a resident then be taxed; we have had a recent decision of the Court of Appeals again, which has given rise to speculation as to which would be the proper way to assess a non-resident having money invested in business in this State.

By Mr. Creamer.

Q. Take the case of the National Cordage Company, a non-resident corporation; has that company been called to your attention? A. I think not.

Q. Let us understand how these people evade all taxation; at least two-thirds of the capital stock of this non-resident corporation is owned by citizens or residents of this State; their corporation is exempt because their business is not in this State, as I understand it.

Mr. Feitner.— They are assessed at $50,000.

Mr. Creamer.— Their capital is what?

Mr. Feitner.— Ten or twenty millions of dollars; I don't remember; something like 15,000,000.

Mr. Creamer.— It has recently been increased, I think, to 30,000,000.

Mr. Feitner.— It may be.

Mr. Creamer.— How do they claim exemption — that they not only escape as a corporation but also as individuals as well, still dwelling among us; now, that $50,000, is that personal?

Mr. Feitner.— Personal.

Mr. Creamer.— Does that exempt the individual owners of this stock?

Mr. Feitner.— That is a question not well determined; that is a question to come under the provision of that section that Mr. Coleman refers to in the act of 1885.

Mr. Creamer.— Does the payment of an assessment on this $50,000 exempt the owners of a corporation who owns shares amounting to fifteen or twenty million, and how and why, and what is the remedy?

The witness.—If it is a corporation the assessment of the capital stock under the Revised Statutes of 1857 does exempt the holder of shares, because the Revised Statutes say and expressly provide that every person who owns a share of stock in a corporation which pays taxes on its capital is exempt from taxation on the theory that it would be double taxation; is this a trust or a corporation?

Q. It is a trust. A. If it is a trust, there would be then a question as to whether or not they would be exempt; there may be a question as to whether or not we can tax them on their capital; I was assuming in my answer that it was a corporation, but if it is a trust, there is a question whether you could tax a shareholder of a trust which is not a corporation, because under the law as to the separate corporations which go to make up this trust, each corporation would be liable to taxation as long as it continued in existence; I was assuming it was a corporation.

Q. Is a trust untaxable? A. I do not think our tax laws recognize trusts as such for the purpose of taxation; they recognize simply individuals and corporations.

Q. Trusts were not anticipated under the law? A. I hardly think so.

Q. Still, they are a larger factor in the business affairs of the city and State; take, for instance, the Reading Trust, with a combined capital of 500,000,000, I believe; a trust that affects the interests of every man, woman and child in this State; there is no way for the laws to reach that trust, as they reach the tax on the people here? A. I don't know how that trust is made up, but I assume a trust made from corporations of this State; suppose ten corporations of this State, each preserving its corporate existence, may form a trust; now, I think each individual corporation would still be liable on the value of its capital, and if that were so then the shareholders of the corporation would not be separably assessed for their interest; they may be shareholders originally, and they are now certificate holders, the certificates taking the place of the shares of stock, but each corporation preserving its identity and liable to taxation; in that case,

I do not think that the holder of the trust certificate would be liable.

Q. You could not give the committee anything from the records as regards the exemption of those individual owners of the stock of a corporation who exempt themselves through some proceeding, by paying a small amount on their capital stock? A. I don't know that I quite understand the question.

Q. What difficulty is there in the law that permits the individual owners of a corporation — the individual owners of shares amounting to say $15,000,000 to become exempt by the corporation itself paying on an assessment of $50,000? A. Well, we will assume that that $50,000 assessment is all that is permitted under the law as it stands, because they have put their property out of the State.

Q. You are not familiar then with a law that would cover this case? A. I don't know any law that would cover a trust; I am familiar with the law in respect to corporations or individuals.

Q. Then, the law is defective because they are outside of the law? A. I think they would be outside of the law as a trust.

By the Chairman.

Q. The purposes of this inquiry seem to be divided into three heads; the first is as to the propriety of modifying the present law relating to taxation, discount and interest so far as they affect the agricultural, manufacturing, commercial, laboring, banking and other interests of the State; can you briefly suggest any such modification of the existing law, beyond what you have already stated? A. There is one matter relating to taxation generally, which affects the entire State, and that is the present arrangement of distributing State taxes in the various counties.

Q. What modification would you suggest in that regard? A. It would be quite radical, and that would be to do away entirely with the State taxes on land, which would remove all friction between the counties; that would amount, of course, to a large loss of revenue, which would have to be made up, and so far as I have been able to give it attention, it seemed to me the

way to do that would be from a corporation, through taxing, not their property, but their revenues, and make the tax on corporations a State affair entirely; not local, except on real estate, with this exception, that where a corporation held what you might call an exclusive local franchise, such as a gas company, a surface railroad, or a corporation of that character, in some way a compensation should go to the city which gives it that, but in general corporations the State should derive the revenue alone; now, the trouble about the equalization; it is impossible, it seems to me, for any three men — I know nothing about the personnel — it is impossible for them in their limited time, and having their other occupations to make anything more than a guess at the comparative valuations in the various counties; it would take a man a life-time, I would say, to do that thoroughly, and give his whole time of it, and if the State law was changed, as it has been in Pennsylvania, it would do away entirely with that element of friction; I am not prepared now to give statistics as to how much can be raised from corporations, from licenses, inheritance tax, etc., but I know it has been done.

Q. What do you say as to the continuation or extension of the present method of collecting a collateral inheritance tax and direct inheritance tax? A. I believe in it myself.

Q. Do you believe in continuing it about as it is, or in extending it? A. I am not familiar enough with the particulars of that legislation in its present form to say, but I think that the present exemption, $10,000 for direct, is proper enough, and I believe $500 for the collateral seems to be fair.

Q. Now, the second branch of the inquiry seems to be whether capital has been or is being driven from this State by restrictions affecting corporations, and if so, as to the remedy therefor; now, in your opinion, has capital been driven from the State by reason of taxation on corporations, and if so, what remedy would you suggest? A. I might say that most of the objections that I have heard about incorporating under the New York law at present were from lawyers who said they would not attempt to guess what those laws might be some day held to mean; so far as the

taxation is concerned I am not prepared to say they would be benefited in the least as to the organization tax, but as to the tax on their stock I think that a domestic corporation would not be assessed any higher on the same property by the State than a non-resident corporation, as I understand the law.

Q. You believe and you recommend a modification of the existing laws to such an extent as to divorce the question of raising money for State purposes from local purposes? A. Yes, sir; it might be necessary as a detail to still make the county act as collecting agent for the State; I think it would be better if they could, without increasing the force of officials, to have it entirely separated, but I certainly believe in removing this State tax on land as it stands now, between the counties, so that no question of equalization would have to be considered at all; I would like to express my views on this question that has been agitated for some years by the State board asking not to restrict their powers but to enlarge them; it seems to me that that would be worse than to attempt to tax lands — guess at the value of the land — but not personal property; I think I heard in this very room where one person made a guess where the personal property that escaped alone amounted to 1,600,000,000; that is preposterous; a great portion of that is in a form not taxable at all, certificates of stock and those things which go to make up wealth to a very large degree; I don't think that they escape as much as we think they do.

Q. The committee has had one witness on the stand who expressed strong views in opposition to the taxation of personal property; what have you to say on that point? A. I think this, that it is impossible to even approximate the value of personal property under our present laws, even if you should increase the force of officers tenfold.

Q. What do you say as to the wisdom of taxing it at all? A. It is a very large question, Mr. Chairman; my mind at present is shaping itself towards a conclusion which is adverse to taxing personal property except in the form of direct taxation by the State upon corporations, which is a tax really on gross receipts;

as to personal property held by individuals at present, as far as my mind is made up, it is against it; I do not see how it can be removed at once, but gradually without interfering largely with the revenues, if I may not be considered too heretical, I would say that the fairest tax upon an individual is a tax according to his income which does not put a tax upon a person according to what he has and has paid for and produces no revenue, like works of art, furniture and things of that kind, but apportion his tax according to his ability to bear it; when he makes little he pays little; when he makes much he pays much, and ought to.

Q. Do you want to be understood that you are in favor of what is known as an income tax? A. Yes, sir; I am at present in favor of what is known as income tax; of course, there are a great many kinds.

Q. If the policy of taxing personal property is to continue, what do you say as to the present method of allowing an offset by indebtedness? A. I do not believe in it; I think there should be no such thing; as it is taxed now, we tax credits; a person owns a mortgage, and the person to whom he has loaned that money lives in the State, there has been no increase of property; one man loaning to the other, and it would not be right to tax a credit, and tax the money in the hands of a debtor; that would be a double taxation; so that if you tax credits, theoretically you should exempt debts, but I do not believe in taxing either.

Q. Now, I didn't quite catch what you said on the subject of the taxation of bonds and mortgages; are you in favor of taxing mortgages or not? A. As a separate piece of property, or as a credit?

Q. Taxing a mortgage, the holder of the mortgage? A. It really doesn't make much difference which way you are going to do it; if you are going to tax the mortgages and not the mortgagor, he would pay more interest; the only way, if you tax income; of course, the man holding the mortgage would be in receipt of a certain income from it.

Q. Under the present system, the holder of the fee is assessed on the basis of the value of real estate, without regard to the

incumbrances? A. Yes, sir; of course, that is logical in one sense, because it does not diminish the value; but it is not just to the owner of the real estate who does not happen to own enough personal estate to offset it, if you are going to continue that system of deduction by debts.

Q. Assuming that the policy of the State should be to continue to assess the holder of the fee for the full value, would you then, in addition to that, recommend the taxation of the mortgagee — the owner and holder of the mortgage? A. I do not think I would; if you are going to keep up deductions for debts on personalty, you should allow it on realty; of course, it has got to be very carefully guarded to show the good faith of the transaction; it would open the door to a good deal of evasion.

Thomas G. Sherman, called as a witness, being duly sworn, testified as follows:

By Mr. Creamer.

Q. Have you read this resolution? A. I have.

Q. Will you please give the committee your views concerning the same? A. I refer to two or three papers, but not to read literally from them; I understand the question to be mainly the question of the taxation of personal property.

Q. And equalization? A. Yes, sir.

Q. And also as regards the loss of capital to the State by reason of the enforcement of our tax laws in relation to personal property — property of corporations principally? A. With regard to that last point, I will take that up first, because it is, so far as my general views go, very briefly disposed of; in proportion as any State has inefficient tax laws upon personal property, it will invite the immigration of capital, and the wealth of that State will be thereby increased; in proportion as it has efficient tax laws upon personal property, it will drive out wealth, and the wealth of the State will be, therefore, diminished; this is proven by the experience of all States which have tried it; everyone who is at all familiar with financial affairs, so far as they are affected by taxes, knows very well that all men who have, say over

$100,000 in value are constantly on the lookout for places where they may invest personal property free of taxes, or under a low tax, and for every change which is made in the laws of a State concerning the taxation of personal property, there is a change in the situs of that property; when the change is in the direction of easier taxation property flows into that State; very few such changes have taken place; the only one that I can recollect now is the exemption of mortgages from taxation in Massachusetts, which took place about ten years ago, and which resulted in a large increase of investment in mortgages and a reduction in the rate of interest; almost all changes in the last ten or fifteen years have been in the direction of severity, and in every case capital has either actually or nominally fled from the State; I recollect a very striking instance of that kind when the new constitution of California was adopted, which was framed by a farmers' convention; it was the object to reach every kind of personal property, and accordingly they provided, I think in express terms, in the constitution itself, that the stock of a corporation should be taxed as well as the property of the corporation, and they expressly overruled a decision of the Supreme Court of the State, which held that taxation on mortgages was double taxation; they provided that mortgages should be subject to taxation; the first Legislature to meet under that undertook in good faith to carry out that scheme, and my attention was called to it at that time; I was not so much interested in matters of local taxation, but it happened in this way; I don't mind telling incidents in my own experience, although I should not like to tell them in regard to a client; I happened to buy for the first and last time some Central Pacific railroad stock, which was paying dividends regularly; I thought it was a good investment; when the certificate was delivered to me by the broker, I found that instead of the broker's name being on it, which I should not have minded, or may name, there was the name of I forget what — John Smith will do as well as anything else — so I called in the broker and said, "How is this, I don't know who John Smith is, and he will collect the dividends" — I think

quarterly dividends were paid then — "and how am I to get them from him;" the broker laughed and said, "You will see; there are coupons for the dividends;" I said, "Whoever heard of coupons for dividends;" he said, "Nobody until this new law was adopted in California;" then he explained that as soon as this law was passed the Central Pacific Railroad Company put all the stock of their corporation which they could get hold of — and it was in very few hands — into the names of five clerks of the corporation; they passed a by-law by which dividends were to be paid only upon presentation of coupons, and the registered holders were not to get the dividends; then they sent those five clerks out of the country — scattered them around, and gave them instructions that they would receive a salary, and they were to report to some person whose address they had, and to take good care never to report to the head office; all the stock was put in their names; they disappeared; the assessors came around at the proper time to the office, found the names of all the stockholders, and then asked their addresses; the officers gave them their last address which the men had given them; the assessors came back and said they could not find them; the officers smiled, and said they could not either, and the result was that the State of California never got one cent of tax on the stock of the Central Pacific Railroad Company, representing a great many millions of dollars, and I have known other cases.

Q. That corporation paid no dividends at that time? A. It did pay dividends.

Q. The stock is not worth over thirty? A. That is a very true thing; I paid ninety for that stock and sold it again.

By the Chairman.

Q. What did you do about the payment of the tag on the stock that you owned? A. I never paid any; no officer of California ever suspected that I held it, and I was not going to volunteer the information.

Q. You were conscious of the fact that you were the owner? A. I thought I was as long as I had those coupons; I got my divi-

dends clear of all taxes; the State of California tried that for several years, and every other corporation that was paying dividends adopted this same plan, and after the first year the State of California did not get one cent out of this tax on the stock of corporations; there were no California stockholders; that was a case where the entire capital emigrated either in form or in fact, the result of which was that notwithstanding the explicit declaration of the constitution, the Legislature finally passed an act, with a preamble, which is quite unusual in those days, declaring it was unjust and impossible to collect a tax on the stock of corporations, the property being taxed, and therefore they repealed the law which the constitution required them to pass; that is an illustration of the very strongest kind as to the way in which capital will actually or ostensibly emigrate when it is taxed by the most ingenious devices; the State of California has had some other remarkable experiences; it undertook to tax honey and butter, and required a return, and although there was a return in several hundred thousand cases there was the most great scarcity of butter ever known, and only five or six counties had any honey at all; there were forty counties that had bee hives; the bees could be seen flying around, but honey was returned by a separate return, and there were only four counties that had a pound of honey; so you can see that the honest farmer is quite as shrewd in evading taxation as the dishonest citizen; I suppose the bees flew off with all their honey; Ohio has tried this experiment for forty years; it has had one of the most stringent systems ever devised for personal property; the result of it is extraordinary; carriages are set on wheels, and they seem to fly from the State every year, and watches which, like French clocks, are supposed to go, have manifested their power to go every year since, and most particularly in the large cities; it is affected with a destitution of watches calamitous to think of.

By Mr. Creamer.

Q. How about Pennsylvania? A. The city of Philadelphia returns watches.

Q. I mean the State in its collections for personal property on corporations A. I have not studied that.

Q. The aggregate is $5,000,000? A. Of course, you can get a great deal from personal property; the State of Massachusetts gets a great deal from personal property.

Q. Does it on mortgages? A. Yes, sir; Philadelphia I don't know about; Boston I understand something about.

Q. The State of Massachusetts is rather a fair example for us to follow in many case; they have nearly as large a sum on their personal assessment-roll as this city? A. Over 200,000,000.

Q. And this city about 300,000,000? A. Yes, sir.

Q. It has been less than that? A. Yes, sir.

Q. In proportion to the population and wealth there should be a much larger sum on the books in this city? A. Yes, sir; very much; they get it, and the only way you can ever get anything like a full statement of the amount of personal property; after they send out lists all around to all the taxpayers, some of whom return and some do not; the assessors are remarkably intelligent and trustworthy, and one body of men have been in office for a long time; I am not saying anything against the men; as compared with all cities, the assessors of Boston stand high, particularly Mr. Hills, who has been in office for many years, a man entirely unsuspected of anything crooked, and the system has therefore been administered by thoroughly honest, upright and efficient men; it has had an ideal enforcement.

Q. How large a force have they; have you any knowledge? A. I am not sure, but I think they have about fifteen who might be called head men under Mr. Hills.

Q. The same as our deputies here? A. Yes, sir.

Q. We have thirteen; do you think that is sufficient? A. I don't believe that makes any difference; you might employ 300 men, and I think the result would be you would be no better off.

Q. Do you think that one man taking a district embracing six wards of this city — to assess the property of those six wards from, say the first Monday of September until the second Monday of January — do you think one man can cover that ground suf-

ficiently well to give satisfaction? A. You mean to assess and ascertain personal property?

Q. No; real estate and personal as well? A. I think one such man, by devoting his entire time, could ascertain the value of the real property fairly well; it is impossible for him to ascertain the value of the personal property or come anywhere near it; but the gentlemen in Boston do not attempt that; the way they do is, they send out lists, and each of the taxpayers is required to sign it, but the assessors are very glad if the taxpeyers do not sign those lists, for this reason, that if they do sign them, they are bound by that evidence unless they can produce positive evidence as to their falsity; if they do not, the assessors estimate for themselves, and there is no appeal, and they meet in what is called the dooming chamber — very properly too — and there they sign the doom of every man and estimate the value of his property, without any evidence, a statement or anything at all; I was most surprised to find that the assessors of Boston have actually evidence as to only $40,000,000 of personal property in the entire city; that is all they have any evidence of; they proceed to that $160,000,000 by pure guesswork; in that way they get up a very creditable showing of $200,000,000; of course, if you put in the hands of the commissioners here similar powers, I suppose they can add three or four or five hundred millions to the personal property of this city.

Q. Does an income tax still prevail in Massachusetts? A. Yes, sir; and it is admitted by everybody to be a farce; it is only paid by exceptionally honest men.

By the Chairman.

Q. What do you think of the law that gives such discretionary powers to assessing officers? A. I think it is grossly unjust; it is better suited for Turkey or Russia or Tartary than it is for the United States of America; now, speaking of Boston reminds me of another instance of emigration of capital; the Boston people know there is an abundance of that; Nahant is full of people who have gone there to avoid taxation in Boston; Cottage City,

which is perhaps the wealthiest town or little village on Martha's island, is one of the wealthiest towns in Massachusetts, because people keep their summer residences there, and return themselves for taxation; but the most remarkable instance is the little town of Lancaster; two-thirds of all the expenses of that town are paid by a single man, who left Boston because he was assessed at a very high rate, and he entered into an agreement with the village of Lancaster that if they would always put his assessment down at a very low rate — they had to return something on account of the State officers — he would pay about two-thirds of all the expenses of the town, and when they want a new bridge, or to repair one, they go to this gentleman; he has his own contractors estimate for the repair, and asks the town authorities in what style they want it restored, and he pays for it, and it does not appear in the town bills at all; he saves about $25,000 on these taxes in Boston; Mr. Weld was in Boston; they assessed him, I think, some three or four million dollars; he protested; they gave him the option of swearing off; he refused to swear off, paid the taxes that time and went to Philadelphia where he died; his estate amounted to $20,000,000; he had done nothing since the time he left Boston.

Q. Did he fare any better on taxes? A. Yes, sir.

Q. By fixing it with the officials there? A. No; he was not particularly known, and lived in modest style; he was wise enough not to improve the front of his house.

Q. They have very stringent laws there; you say he did not improve the front of his house in Philadelphia? A. Yes, sir.

Q. That was one reason he was not taxed? A. Yes, sir; any man is a fool that improves the front of his house.

Q. Isn't that a law generally in Massachusetts? A. Yes, sir; but it is administered by different men, and Mr. Hills and his associates are men of remarkable efficiency in every way; in the town of Lancaster they would vote any man out who interfered with this gentleman's taxes; they would not have it; he might emigrate.

Q. He was a public benefactor? A. Yes, sir; a philanthropist.

Q. In Boston is it not a fact that the assessment is higher in proportion to the value than any other city? A. Not to any other, but very much higher than in the city.

Q. Isn't that a safer rule than the one that now prevails? A. Well, I think it would be a good rule to assess all real estate at its real fair value; I do not think it would be right to assess it for more than it would sell for at auction, because if the State enforced those rates it could only do that.

Q. Of course, the rate would be much less, perhaps one-half; it would be safer? A. Yes, sir.

Q. Do you think it would give better satisfaction than to enforce the law as it is now? A. If you speak of real estate; yes, sir.

Q. In every county? A. Yes, sir.

Q. To what do you attribute the loss of population in nearly one-half of the counties of this State during the last twelve years, because the census from 1880 to 1890 shows a decrease in population in twenty-three counties of this State? A. I believe it to be mainly the result of systems of taxation in this country, but I do not confine it to the system of taxation in this State, taking the whole system of taxation in the United States, I think the pressure is constantly greater upon the rural districts than the city.

Q. You mean the national taxation? A. Yes, sir.

Q. That the national taxation is the principal cause? A. The whole system of national taxation, which is indirect taxation, I think bears with peculiar severity upon the farming population.

Q. Take Lewis county in this State, how would it affect that? A. That is a farming poulation; you ask me the questions; understand I did not volunteer to talk about national matters.

Q. We would like to know; there must be something wrong? A. I am very well satisfied that the effect of indirect taxation is to decrease the price of everything the farmer sells; and to increase the price of everything he buys, and as our national revenue is collected entirely by indirect taxation he suffers most.

Q. Does that decrease the value per acre of his land? A. Certainly, because his produce sells for less, and there is less encouragement for people to go there.

By the Chairman.

Q. Were you familiar with the terms of the bill which was before the Legislature last winter known as the Connolly bill? A. Yes, sir; I had something to do with that.

Q. What do you think of the provisions of that bill, as to the methods of taxation proposed by it? A. I thought it was a very fair and just compromise between the interests of the State and the city, or the supposed interests of the State and city, recognizing the fact that farmers everywhere are bent upon taxing personal property, and can not be convinced of what is undoubtedly a fact that the more we tax it the larger will be their share of the taxes; it appears to me that the best solution is to separate the methods of taxation and to collect the State taxes in a way satisfactory to the interior of the State, and to collect the local taxes in a manner satisfactory to the people of the locality; that it would avoid this constant friction, the waste of time in every Legislature, and the attempt to pass laws which if passed would be entirely ineffective, and which if effective would produce very little difference in State taxes, because State taxes are relatively small, and that the farmers might have any kind of taxation they wanted for State purposes, and the city could have any kind they wanted for local purposes.

Q. Counties, not cities? A. Yes, sir; counties; of course we had to make it for counties, because there was some doubt as to whether the Legislature would listen to a proposition to enable cities to separate themselves from counties.

Q. You said the farmers could have such taxes as they wanted for State purposes? A. Yes, sir.

Q. Didn't you intend to say for local purposes? A. No, sir; I will re-state it, as far as the interests of the farmer conflict with the interest of citizens, as I might call them; that is, men living in cities; the farmer's interest and the farmer's wishes would be

abundantly protected by a system which should be uniform all over the State so far as State purposes were concerned, but as far as the taxation of those counties which include large cities is concerned, there is no reason why the farmers should trouble themselves about the method of taxation which we adopt in those large cities, and the counties which include them; therefore it seems to me that if New York and Kings and Erie, for example, which are substantially large cities, that if they should wish to exempt personal property, as I believe they would, there is no reason in the world why the farmers should not allow it as long as those counties pay as large a share of the State tax as they would if they tax personal property.

By Mr. Gifford.

Q. If a law of this kind had the effect to exempt personal property in the city, what effect would that have on the county adjoining the city; the idea is local option, I believe, to give the board of supervisors of rural counties the right to fix their basis of taxation; now, suppose you do exempt it in the cities, what will be the demand of the capitalists in the rural districts adjoining those cities? A. If he is a sensible man he will say in Westchester: "It is a very good law, I want you to follow it."

Q. Would not that system in the end spread over the entire State? A. I think it would; I think the people would see how good it was.

Q. You mean the personal property owners of the different counties would see how good it was to avoid taxation and place it all on the real estate? A. No, sir; I mean that the real estate owners would see the advantage of having an honest system of taxation efficiently collected by exempting personal property.

Q. Please give us your reasons? A. With pleasure; in the first place, there never was, and there is not to-day, and there never can be, a system devised by which direct taxes on personal property can be honestly and efficiently collected.

Q. That simply shows that there is a method through which they can evade the law, but would not a law requiring the col-

lection of taxes from that property be just; that is the point? A. I question nothing about that; I am a good deal of a practical man; there are people who think I am a theorist, but they are much mistaken; I believe that that which can not be done is a thing which is not right to do; I believe that is what nature tells us; we do not know what is right or wrong; we try to do by experience the things we run our heads up against.

Q. Would not the relieving of all personal property from taxation increase the taxes upon all real estate? A. Yes, sir.

Q. Is it not a fact that the records show in this State that agricultural property is only earning about three per cent while your personal property is earning double that amount? A. That I do not know; I should think the farmers would all sell out.

Q. Don't you know that five-sixths of the costs of all suits in the civil courts are incurred for litigation in defense of personal property, and the additional fact is that that burden is assessed upon real estate, ninety per cent of it, on account of the evasions of capital? A. I have no figures in my possession with which to contradict the statement, I would be willing for the purposes of the present discussion, to concede it, though I do not think it is quite so, but I am prepared to let it pass without dispute; I am willing to proceed upon that assumption; I have said it always has been impossible to collect the taxes honestly upon personal property; eighteen years ago, Mr. George Andrews, chairman of the board of assessors here, I think, certainly a prominent officer conected with taxation, reported that which is just as true now, that nobody need pay any taxes on personal property except widows and orphans and other people whose property was held in trust; the property of widows and orphans is held by trustees, and a good American is never willing to perjure his soul when there is nothing to make out of it, and when trustees can not make anything out of it, they are liable to tell the truth.

Q. Do you think that a law to reach personal property is a temptation to men to perjure themselves in making their returns? A. I do, universally.

Q. Do you think it is any worse for a man to be a perjurer than it is to be a thief? A. Yes, sir; I think it is the distinction of this country and of one or two countries like it, and the race to which we belong; I don't want to be invidious about other races, but it is a distinction that as a race we are more truthful than other races, and I think that is the secret of the primacy that America is retaining, and when it leaves its truthfulness it will go.

Q. Do you not think that everything that demands protection at the hands of the law shall be compelled by law to pay its share of the burden? A. I think it does; to proceed with the reason why it is unjust to tax personal property; there is a very great mistake as to what personal property is; two-thirds of all that is commonly called personal property is nothing but a revision of real estate; here Mr. Gould died the other day, and he is reported to have had $70,000,000 of personal property; if by personal property you mean what the law means really, chattels and things not attached to land, he had not $70,000,000; he may have had $700,000; he may have had two or three millions dollars of property in chattels; I doubt very much; he had nothing like $70,000,000; what did he have? he had large quantities of stocks and bonds secured by mortgage; what is stock? every farmer thinks stock is personal property; the law calls it so, but you can not make a thing personal property by calling it so; stock is nothing but a title to a piece of corporate property, which in nine cases out of ten is real estate; take stock in a railway company; the stock of every railway company in this State represents nothing in the world except the right to run its road over a piece of land; the value of the privilege; in other words, the land value or the ground rent; that is all there is to the stock of any railroad company in this State that I know of; that is all there is to the stock of nine-tenths of the railroad companies in the United States; the stock represents nothing but the franchise, and that is the privilege of running over a piece of land; all the equipment is paid for in bonds; the depots, the rails, even the gradings are paid for in bonds; the certificates of stock,

therefore, represent nothing in the world except the value of the strip of land; take a telegraph company; you would think that is surely a specimen of something that is all personal property, and the telegraph companies are sharp enough to persuade you that the whole franshise of a telegraph company, the whole value of the $80,000,000 of the Western Union stock is nothing in the world but the value of stringing those wires over people's land.

Q. No value on account of the dividends? A. It comes out of that land value which it owns.

Q. It is the earnings of the people that pays dividends? A. They are taken out of the people who pay the high prices to the Western Union company, because the Western Union company owns a practical monopoly over those pieces of land; it is really a real estate value; but when you come to the railroad companies, every man knows that the stock of nine-tenths of the companies of the United States does not represent one dollar of furniture or equipment, or anything that a business man would call personal property; it represents nothing but the long strip of land over which they have a right to run their cars; take all that out of the list of personal property.

By Mr. Creamer.

Q. Did you read the will of Mr. Gould? A. No, sir; I did not.

Q. I call your attention to it; you say he was not worth any such sum as $500,000 or $700,000; he left $5,000,000 to his son? A. I said he was not worth $700,000 in strict personal property.

Q. And $15,000,000 to the other members of the family; it said dollars? A. If you suppose when he died he had in his own possession $500, I know enough of his habits to know that he did not.

Q. He always had in his reach? A. How many dollars?

Q. He had enough to command all the best attorneys when he wanted them? A. Very true, but not with dollars; I never knew Mr. Gould to pay a lawyer one dollar, but he did pay them with a piece of paper which represented property.

**By the Chairman.**

Q. I will ask you to state as briefly as you can whatever you would suggest in response to the first purpose of this inquiry; the first purpose of this inquiry is to inquire into the propriety of modifying the present laws relating to taxation, assessment and interest so far as they affect the agricultural, manufacturing, commercial, labor, banking and other interests of the State; now, what I would like to have you state to the committee is what modification, if any, you can suggest for the purpose of being embodied in proposed legislation? A. It seems to me that the practical thing to do is to provide a system of taxation of the rural counties which will be satisfactory to them, and a taxation for the city counties which will be satisfactory to them; it is my belief that if you were to poll the citizens of New York and Brooklyn, a majority of all the electors in each county, a majority of the taxpayers, and a majority of all the owners of real estate in each county, whether counted by the head or by value, would vote to exempt in those two cities all personal property from taxation, and would be perfectly willing to leave the question to real estate; I am myself much more interested in real estate than in personal property of any kind, two-thirds of all that I have is invested in land, but I would vote to-day to abolish all taxation upon personal property of every kind, and put it on my land; now, it seems to me that is the proper thing to do; if the people in the country can not be convinced that is a good thing to exempt it all over the State, and the people of the cities are convinced that it is a good thing, why not collect the State tax in another manner, and let the cities collect their tax from real estate alone as they will choose; of course I have no authority to make the offer, but it is my belief that if the Legislature of this State were to give to the people of those two cities the choice between the present system or between the expediency of a law which should enable the two cities to exempt personal property from taxation upon condition that the value of real estate for the purpose of State taxation should be increased by one-third in order to equalize it with the

taxation on personal property in the interior, that the people of those two cities would accept such a law as that.

Q. Would you be in favor of a law which would give to the local authorities the power to raise taxes for local purposes in such a way as to them seemed best? A. Within a reasonable radius; I would give local authorities the power to collect taxes by direct taxation only upon the value of real and personal property together, if they saw fit, or upon the value of real property alone, if they saw fit, or personal property alone, if they saw fit, or finally upon ground rights if they saw fit.

Q. You are in favor of local option? A. Yes, sir; entirely.

Q. How would you propose to raise taxes for the support of the State government? A. As a compromise, by continuing the assessment on personal property in the cities, or by adopting some additional estimate of the value of personal properties in the two cities of an arbitrary character which would assess them at a larger amount than they are assessed now; for example, here in the city of New York, $320,000,000; I can not state for New York as I can for Brooklyn, but I feel very confident that the people of New York city would rather accept an arbitrary estimate of $500,000,000 for their personal property and submit to an assessment as far as State taxes were concerned, but limit this entirely to real estate, than go on under the present system; I am sure it would be wise to do so and I know I can speak for some real estate owners.

Q. How would you divorce the two? A. We don't make it up in the city; it is made up for us and sent down; the State says you must collect so much money; why not collect it as you see best.

Q. Would you levy that as a separate assessment or embody it all in one? A. It would go to the officers of this city as a separate matter, and then let them collect in the way the people saw fit.

By Mr. Hamilton.

Q. The total equalized value is $1,545,000 real and personal? A. The State equalizes realty, I believe, and does not personal.

By the Chairman.

Q. It has been suggested here, and I think agreed upon by all the witnesses who have preceded you, that the expenses of the general government of the State should be raised from sources other than real estate; what do you say to that proposition; in other words, that real estate should be relieved altogether from a tax for the support of the general government? A. I think that would be better than the present system; I don't think it is the best system.

Q. You think it would be an improvement? A. Yes, sir; a great improvement, provided the country members do not insist upon forcing us in the cities to go on pretending to assess a tax on personal property, when we can not do it and don't want to do it.

Q. We are trying to get at the best method of raising money for the expense of the government, without any regard to the views of the country members or city members? A. Then the best method is to make up an assessment for the cities based upon such an estimate of the personal property in the city as the officers shall make, and then to leave us to collect it as we see proper; that is to say upon real estate.

Q. The next purpose of the inquiry seems to be as to whether capital has been or is being driven from this State by restrictions affecting corporations, and if in your opinion it has been what remedy do you suggest? A. In the first place, I think there can be no doubt that a very large number of corporations have, in recent years, been created in other States, which really do business in this State; it seems to me that there is an increasing tendency to that; the reason of that is partly that the taxation is lighter in those other States, and partly for a reason not affected by taxation; that the laws of New York, with regard to corporations, are in some respects very severe and needlessly so; for example, it is the law that every corporation organized under the manufacturing law must have all its stock paid in; every stockholder is liable over again for the amount of his stock, although he has paid in every dollar; I have had several cases

of that, separate clients who were sued and who had paid in every dollar; one gentleman we appeared for had paid in $12,000 in actual cash for 120 shares of stock; the officers of the company had failed to issue a certificate declaring that the stock was all paid in in cash; my client knew nothing about it, so the creditors of the company held him liable; no stockholder who is not an actual officer of the company can know whether the certificate is true or not; that does not prevail in any other State that I know of in the Union.

Q. Has not the stockholder access to the books? A. What does that prove; what do the books prove; the books may contain the lie, as in this case they did; the books had a record of the payment, but it was not true; why should a stockholder be compelled to hunt up the books and trace the payment?

Q. You can not guard against dishonesty with any other method? A. Here is a Legislature that puts a penalty on an honest man; no other State in the Union does that that I know of.

Q. You think that is one of the causes that lead to the incorporation in other States? A. I am sure it is.

Q. Do you think it is the main cause? A. No, sir; I think the lighter corporation tax is the main cause.

Q. They pay taxes here? A. That depends upon the shrewdness of their management; but the tax would be two per cent here, and two and a half per cent in Brooklyn; whereas it is very easy to settle over in New Jersey where the tax is only three-fourths of one per cent.

Q. Now, if the present laws regulating all corporations and the taxing of corporations are so oppressive that they have driven corporations into other States, what remedy or modification, under the existing laws, do you suggest so that they would not feel it necessary to go to other States, beyond, of course, what you have already stated? A. Except the abolition of the tax on personal property, I think nothing more is needed, except some greater leniency as to their organization; I think no stockholder should be liable to pay more than the full amount for his stock, particularly those who pay in cash; I think that a man

who can prove he has paid dollar for dollar in cash should be exempted from all further liability, no matter what swindle has been perpetrated.

By Mr. Creamer.

Q. How is it that the bank shareholders can pay it; would you favor the abolition of the tax on $73,000,000 of shares? A. I think it is wrong.

Q. They pay; the Government must be supported? A. It might be supported by a tax on real estate.

Q. Do you think that a tax should be imposed on dwelling property and the homes of the poor, and that the shares in banks should be exempt? A. I think that the tax on the shares of the banks eventually falls on the poor.

Q. They have no business with any banks other than savings banks; have they? A. No; it is a tax upon commerce, and every tax upon commerce is indirect, and every indirect tax falls upon the poor.

Q. What do you call a tax upon a tenement? A. If you mean a tax upon the dwelling, that is an indirect tax; a tax on the land is not indirect.

Q. A tax on sleep and shelter, and a tax on sleep and shelter should be imposed, and a tax on commerce should not? A. My belief is that all taxes on dwelling houses ought to be abolished.

Q. And placed where? A. Placed on the land only, then the landlord will pay it and the tenant will not.

Q. The tenant pays it back to the landlord in the rent. A. The landlord can never increase his price for the rent no matter how much tax he pays; I know that to my sorrow, because I am a landlord; if you tax the rent of his house he can increase his rent, because unless he does he won't build any more houses, but no landlord makes land he makes houses; if you tax houses and the landlord can not get that back from the occupants he will cease.

Q. Will it not increase in value year by year? A. It does, as long as you relieve it from taxation.

Q. It would still under that system you propose increase in value, would it not, then he could increase his rent in a sum to suit himself; this is your single tax theory; I am not as familiar with it perhaps as I would like to be; I would like to be enlightened; will not the value of land increase year after year all over the State as it has done in New York city? A. I hope so.

Q. That gives the power to the landlord to increase the rent? A. In increase in the value of land means nothing except an increase in the rent of the land; there is no other value.

Q. Then the man paying the rent is again paying the tax because he is liable to pay more rent on that increased value? A. An increase in the value of land has not the result of adding taxes to it; the more you tax it the less can the landlord sell it for.

Q. Oh, no. A. Excuse me, it always does.

Q. You can better pay a high tax than valuable property; where there is anything taxed in this city except property that can be sold; often the highest priced property here is the least taxed, do you know that? A. In some particular cases that may be, but I should not think so generally.

Q. It is often the case; yours it but a theory; I would like if the champions of the single tax theory would give us any proof how they get at practically that they talk about so much? A. The theory of the single tax on ground rents is very simple; every landlord charges for the rent of his land as he can possibly get; if he is required to pay tax out of that he can not charge any more, because if he does the tenant can find plenty of other land where people won't charge any more; he can not destroy his land because he is taxed, and therefore when you tax land, there will always be the same amount of land; if you tax houses there will be fewer houses, but if you tax the land valuation, there will be just as much land as before; now, the landlord levies this rent, because the population crowds in, and because government and good government has come to that neighborhood; good government is much more the cause of the raising rent, and consequently the value of land, than any other cause; it is very much more important than

the agricultural value of the land; wherever you find government you find the value of land high; wherever you find good government you will find the value of land very high; the best kind of government there is in this State is around Wall street, men are safer there than in any other part of the State.

Q. You mean their lives? A. I mean their lives and property.

Q. How about the lambs? A. The opportunity of shearing them constitutes something of the value of land in Wall street; there are opportunities of making wealth there on Wall street; there are facilities for doing business, and there is almost an ideal government.

Q. Good opportunities to lose wealth down there, is there not? A. Yes, sir; there is under every government; that is the reason why the land is so high; the rent of land around Wall street represents the value of the advantages which society gives to that particular district, and the rent of land is the natural tax which nature itself provides for making all men pay for the advantages they derive, and every good thing that nature does provide; you will find everywhere that the annual rent of land alone without the houses is sufficient to cover the expenses of all kinds of government, national, State and city and everything else; now, our theory is that this being the natural tax, by which men are compelled to pay what they ought to pay, the men who collect the rents are nature's tax gatherers, and it is the duty of the State to go and say: "You have collected much more than you require; we want out of it enough to pay for the cost of government;" the landlords, that is, the owners of the land, receive compensation from the people that live on the land sufficient to cover, and much more than cover all the expenses of all kinds of government; that is the reason why I think taxation of personal property is unjust; when you have the landlords, and you protect them as you ought to in collecting the taxes from the whole people, far more than necessary for the government, I say it is unjust to turn upon any man, the holder of personal property, or holder of anything, and say: "Pay taxes to us over again;" they have paid their taxes once; they have paid enough to support the general government,

State and city governments, and I hold that all double taxation is unjust; may I be permitted to say a little as to how it would bear on general classes; I know the farmers are very much prejudiced against this, because they think they are to be taxed so many pennies on each square acre of land; the idea is that the ground rent shall be ascertained, and the tax apportioned to the ground rent in this State in order to get the revenues of the State and city, you would have to take twenty-five to thirty per cent of ground rent.

Q. Is not that the idea of the State owning the land? A. No, sir; we are entirely opposed to the State owning land.

Q. That is socialism? A. Yes, sir; and I do not believe in that.

Q. When you say our theory, to whom do you refer? A. I mean the multitude of gentlemen with whom I have the honor of acting; single tax men, and among them are men very prominent in public life, and presidents of great institutions in these cities, and I violate no confidence by saying that General Christian of Brooklyn is in thorough accord with me in those views; we include among our number men who own land, and men who own personal property of all kinds; I am glad to say also that we include in our number a very large number of the poor people of this country; that is the people I am interested in; in my judgment we can get a majority of the people of New York and Brooklyn to indorse our views to-day.

Q. A majority of the committee desire to adjourn at 5 o'clock, if you have a statement, would you give it to us to put on record? A. I want to say as to the farmers that this form of taxation would fall upon the farmers in this State at the rate of about one dollar per acre per annum; for the prosperous farmer that would represent all his taxes; that is a great deal too much for the farmer, because he would not have anything like that; a farmer could afford to own land within the limits of a city, and would not have to pay that; in the country it would represent a tax of about thirty cents an acre for all his taxes; that would cover everthing, his school taxes and everything else; in the city, the tax on a business place, such as that where I carry on my busi-

ness, would be at the rate of, instead of thirty cents an acre, about $3,000 an acre; that is the difference of the bearing of this tax upon the farmer and property in the cities; of course, in the outskirts, those taxes would be perhaps only $100 an acre; nearer the center it might be $500 an acre; I do not think there is a farmer in the most prosperous part of the State who would be called upon to pay more than one dollar an acre for the best farm in the State.

By Mr. Gifford:

Q. Are you aware that if he was called upon to pay that it would be double his present taxes? A. Not a very prosperous one; I mean land that is worth $100 an acre; it must be remembered that the farmers' house would be taken out of the valuation; all his improvements, his fences, his grass, his crops; everything of that kind would be exempt; now, the taxes would be in the interior of this State from one-half to three-fourths of one per cent; in the cities it would be about two to two and one-half per cent; you can estimate what it would be without crops, fences and everything of that sort.

Q. What value would land have without any improvements on it? A. The value of the land on the corner of Pine and William street, if you would tear down the building, which represents only one-eighth part of an acre, would be $250,000.

Q. Is it not the buildings upon land that have made the value of this city, or is it simply land? A. No; it is the people that come to the land; if you swept the whole of this city with fire, as quick as the land got cold we should begin to build again, and the land would be worth just as much, rather more, because there would be an opportunity to put better buildings on it; after the city of Chicago was burned down the value of the land was greater after the fire than it was before; that was notably the case after the great fire of London 200 years ago.

Q. Are you not willing to admit that any good farm with splendid buildings would be worth less if all those buildings should be destroyed? A. Certainly.

Q. There is a value in the buildings? A. Yes, sir; and there is a value in the New York buildings; we are talking of the value of the ground underneath; I will submit my views in regard to this whole matter as follows: The invitation to appear and testify before this committee, which has been extended to me, I understand to be given to me, not especially as an individual, but as a representative of that very large and increasing class of citizens who favor the abolition of all taxes upon personal property and upon improvements on land, and the collection of taxes exclusively from ground rents; but I also understand that, as this committee is appointed for the purpose of framing and submitting to the Legislature practical propositions for immediate action you desire to receive information as to our views concerning questions which are to-day within the range of practical politics; we freely admit that our opinions do not yet command to their full extent the conscious assent of a majority of voters in any county in the State; although we know that they are held by a very large and constantly increasing minority, but upon one article of our fiscal creed, namely the abolition of all taxation upon personal property, we believe that a large majority of all the people in New York and Brooklyn, who have any opinion upon the subject, agree with us, we are well convinced that, if a popular vote could be taken upon that issue, the abolition of taxation upon personal property would command the support of a large majority of all the electors in each city, a large majority of all the taxpayers, a decided majority even of the owners of real estate, and an overwhelming majority of all intelligent citizens who have given any serious consideration to the subject; now, as a matter of immediate practical politics, we are not even asking that the Legislature shall abolish the taxation of personal property throughout the State; our demand is limited to the simple proposition that each county and possibly each city in the State, should be left free to decide for itself whether personal property shall be taxed or not, while we are prepared to assent to any arrangement of taxes by which the taxpayers of counties who choose to assess personal property shall be assured

that counties which do not assess it, shall continue to bear the same share of State taxation which they would bear if they did. We are not asking that taxpayers in cities shall be relieved as a whole from any share of tax burdens which the State for its own purposes of revenue, has put upon them in the past, or may choose to put upon them in the future. Our only request is that each locality should be allowed to decide for itself how its quota of taxation should be raised.

But, before taken up this question, it seems absolutely necessary to state some of the reasons why the people who live in the large cities are opposed to taxation of personal property, and why the owners of real estate in those cities have concluded that it is better for them to pay all the taxes assessed upon those cities, rather than to attempt to collect any part of them from personal property as such.

In order to talk to each other to any purpose, we must first agree upon the meaning of the things which we are talking about. What do we mean by personal property? How do we propose to discover it? What success have we had in discovering it in the past, and what success can be hoped for in the future?

Personal property may be divided into two classes, chattels and credits. Under the name of "credits" are to be included, not only book accounts, bills, notes, bonds, mortgages, bank deposits and the like, but also shares of corporate stock and probably shares in any partnership. Our chattels, properly speaking, are only those things which we have in our own immediate custody, or on special deposit, in the custody of our agents, who have no right to use them, even for a moment, for their own purposes.

It is universally admitted that, in all civilized countries, "credits" form by far the larger portion of personal property. It is easy to see why this is so. Credit may be given for more than two-thirds of the value of both chattels and real estate; and it is continuously given to the extent of at least half the value of both. There are many who believe that the wealth of the community is actually increased by credits, to their full

amount. This is a doctrine dear to the farmer's heart, as justifying all his favorite theories of taxation. It is easily tested. Let the owner of $2,000,000 worth of land mortgage it for half its market value. That will add $1,000,000 to the national wealth. As loans might safely be made upon this mortgage to the full face value, let the first lender pledge it as security for another loan of a million, the second lender pledges it for another 1,000,000, and so on, until promissory notes are outstanding to the amount of $100,000,000; all secured by the original mortgage for $1,000,000. All this is an actual increase of national wealth on this theory; for every note is perfectly good. It would only require a hundred loans to increase our wealth fifty times over. The philospher's stone and Fortunatus' purse are completely outdone.

But what says plain common sense? Debt can not increase the general stock of wealth. A loan secured by the pledge of a chattel, divides the real title to that chattel between the borrower and the lender, giving to the lender the meat and leaving to the borrower whatever may cling to the bone. The mortgage of land, under the common law, transferred the actual ownership of the land to the mortgagee; and although this rule has been nominally abolished, the bottom fact is that a mortgagee still has the better half of the ownership. He is the real owner of the land, to the extent of his loan; although he can only enforce his ownership through a sale of the land. Or, to put it in another form, the title is divided between the mortgagor and the mortgagee; the latter having the cream and the former the skim milk.

The same thing is true concerning every form of debt. Promissory notes, book accounts and debts of every kind, are of no value whatever, except so far as they constitute a good and readily enforceable claim against visible, tangible things, in the hands of the debtors. And to this extent, property in the hands of debtors really belong to their creditors, although the latter have no right to seize anything, until the debt is due. If the debt stands against no tangible things, it is worthless. If it does stand against such things, it diminishes the general wealth as much by

its lien on those things, as is adds by its own face value, and therefore it still adds nothing to the general wealth.

Considered from the tax collector's point of view, it may be conceded that, as he has a fixed amount to collect, the total burden of taxation will not be increased by counting wealth twice over. It may therefor be further conceded that, if all forms of credits could be effectually reached, and taxed, the tax would simply be divided among those who divide the ownership of things, and so no injustice would be done. Assuming, for the moment, that any form of personal property ought to be taxed, it may also be assumed that the double taxation involved in the taxing credits would do no harm, if they could all be reached.

On the other hand, what advantage is there in doing this, if it can be done? Why take the trouble to collect taxes from two, three or four persons, on account of one piece of property? It increases the cost of collection, without the slightest benefit to the State; and it confers no benefit upon the taxpayers. "The borrower is servant to the lender." He must eventually repay whatever tax the lender is compelled to pay upon the loan, if the tax is impartially laid and fully collected.

But is it possible to collect taxes upon credits, impartially and fully, or even to approximate to such a result? It would at first seem possible to ascertain the amount and value of the stock and bonds of domestic corporations, especially of railway companies; because they can be compelled to make full disclosure of their affairs; they must keep regular and full books of account; and their officers have not usually such an overwhelming interest in their finances as to make them willing to run great risks merely for the sake of evading corporate taxation. This is far too liberal a concession; because immense blocks of shares are now owned by individuals, who either personally manage the corporations in which they are interested or would make it a condition of the appointment of managers that they should commit whatever amount of perjury could prudently be used for the purpose of evading taxes. It is idle to say that managers of such easy consciences will not be trusted with the administration of great

affairs. It is notorious that bribery, upon the most extended scale, is habitually practiced by managers of corporations, conducted otherwise with more than average integrity; and we are all familiar with the story, undoubtedly true in substance, of the railway president, who told all the other members of a presidents' conference that he would take the word of any of them, as a gentleman, for a million dollars, but, as a railway officer, not for a cent.

Assuming, however, that the direct taxation of corporations could be successfully enforced, this could only be done in those States in which their business is and must be carried on. The stock and bonds of a New Jersey corporation are often owned entirely in New York; but in nearly all cases they can only be taxed in New Jersey. If the corporate property is situated in New Jersey, the same result would be secured by taxing the property itself. If that is done, the stock and bonds should be exempted, or else, if they are taxed, the visible chattels and real estate of the corporation should be exempted. Is not the natural and sensible method to tax the things and exempt the stock?

The federal constitution stands in the way of taxing corporate bonds, by confining local taxation to bonds held by citizens of the taxing State. If such taxation became heavy, it would soon be found that all bonds of New York corporations were held outside of the State of New York.

Turning now to the case of individuals, it is certain that a very large majority keep no detailed accounts of their property or income, and that a majority of those who do would cease to do so, if by that means only they could avoid excessive taxation.

The owners of credits everywhere use their utmost efforts to conceal them from the assessor. Where the law requires sworn returns, creditors very often make no returns, submitting to any arbitrary law which may be imposed upon them. In the vast majority of cases, the returns are false. Some, knowing that the assessor would not believe them, if they denied the possession of any credits, admit a part of their holdings; others deny them altogether.

It is true that large amounts of credits are reached by taxation in many States; but the assessment is generally made by guesswork; and it is nowhere made with any fairness or equality.

By far the larger part of all credits everywhere escape from taxation; strictly honest holders pay outrageously disproportionate share of the taxes; the timidly dishonest or highly ingenious pay a small share; and the utterly unscrupulous practically none at all.

## Taxation of Visible Chattels.

Some writers on the subject, who fully admit that invisible personal property ought not to be taxed, nevertheless insist that everything should be taxed, which can be seen and touched. They see clearly that mortgages represent real estate, that promissory notes and book debts represent the dry goods, groceries, metals or the like, for which they are given, that the stock of a railway company represents the railway and its equipment, and that there is no sense or justice in taxing both the things which are represented and the pieces of paper which represent them. They see, too, that bonds and notes can be hidden, and that any attempts to tax them must result in doubling the burden of simplicity and honesty and exempting shrewdness and roguery. But they insist that personal property, which can be seen and handled, ought to bear its share of taxation and can be reached effectually and equally.

Let us first consider what articles of personal property can be seen and touched, so as to be reached by faithful assessors. The results of actual assessments, in States which adopt stringent methods of personal taxation, show that these "visible things" are principally animals, stock on hand of merchants and manufacturers, household furniture, farm implements and carriages, in the order named. As the only reason for taxing these things, while letting invisible property pass, is that the assessment of invisible property must depend upon the oath of the taxpayer, we must inquire how far those visible articles can be fairly

reached and valued by assessors, without depending upon the statements of their owners.

Judged by this standard, it is manifest that the property of farmers would be more easily reached and more accurately valued by honest assessors than the property of any other class. Farm animals and implements are always readily open to inspection. Their value is generally nearly uniform. Most farmers pay about the same prices for their horses, cattle, plows, tools and furniture. A few own highly expensive cattle; and these will escape full assessment, just as the very rich will, in any line of business. But the mass of farmers own things which their neighbors can value easily. Very different is the case of merchants. What assessor, however honest and competent, can personally value all the stock of even one grocery store, not to say the stock of all stores in his district? Fancy an assessor, making a personal appraisal of the stock of fifty drug stores, a hundred dry goods stores and as many groceries. In one store, there are hundreds of different articles, at different prices, by the yard or the pound or the gallon. Bales of goods lie side by side; some worth four cents a yard, some ten cents, some two dollars. The difference between goods worth one dollar a yard or two dollars is often imperceptible to the eye of any one but an expert. But how can an assessor have time even to open all these bales to look at them, much less judge accurately of their value? All the assessors of New York city could not approximately value Claflin's stock alone, without relying upon the word of Claflin's clerks. Therefore the stock of merchants and manufacturers would be assessed upon the valuation given by themselves, as in fact it is now. Thus the assessment of "visible and tangible property" in these important cases is made and must be made in exactly the same manner as the assessment of bonds, notes and other invisible property, resulting in a double or treble burden upon the simple and truthful, as compared with their unscrupulous neighbors.

The same thing is true as to household furniture. Farmers

have a certain average quality of furniture, the value of which can be ascertained far more nearly than the value of that of well-to-do city residents. In proportion to the wealth of the taxpayer would be the failure of the most honest assessor to estimate the true value of his property. Anybody can estimate the value of a two dollar chair, but few indeed can tell the difference between a chair costing fifty dollars and another costing 150. To many assessors there would be no apparent difference in value; to none would the fair difference seem to be more than twenty dollars or thereabouts. In many household articles, such as bedding, for example, a difference of 200 per cent in cost is attended with no outside indications. Many honest assessors would reckon the value of a $15,000 set of furniture as no greater than that of a set costing less than half the price.

## Testimony of Experience.

These theories have been fully proved by actual experience. European governments, for several centuries, persisted in the efforts to appraise and tax all classes of property, real and personal, upon an equal footing. The ancient tax-rolls of England enumerate the precise number and value of beds, tables, chairs, pots and pans of each taxpayer. The English tax, now called the land-tax imposed in the seventeenth century, was in terms a tax upon all real and personal property just like that of New York. As late as 1827 a trifling amount of personal property was assessed and taxed under this law. The only reason why such property dropped out of the assessment-rolls was that it became increasingly impossible to reach it. Practically it dropped out at a very early day. A similar experience in all Europe led to similar results, and the attempt to assess personal property, whether visible or invisible, otherwise than by means of an income tax, has been universally abandoned.

But the citizens of our own favored land, confident in the power of the American eagle and of Republican institutions, despise the teachings of European experience, and resolutely per-

sist in the taxation of personal property. They have achieved a certain measure of success. The official assessors estimate that they have reached nearly sixty per cent of such property in New England, fifty per cent in some western States and fifteen per cent in New York. If, by "personal property" only visible chattels were intended, this estimate might be correct. But, as this is not intended, the estimate is excessive. In no large State does the assessed value of personal property materially exceed half the assessed value of real estate or amount to one-third of its actual value. In some States, Alabama for example, the roll of personalty is swelled, by including in all its railway values. But it is everywhere conceded that personalty, if defined as including all forms of liens and loans, fully equals realty in value. It would be strange if it did not; because such a definition includes all chattels, all debts incurred in the purchase of chattels and all debts which are made a charge upon land. This is the value which our legislators strive to tax and it would be too liberal to allow that they reach one-third of it anywhere.

Long study of all accessible statistics has convinced the writer that the real value of the bare land is almost exactly equal to the value of all improvements upon it, attached to the ground, and that the value of actual, visible chattels is about the same. In other words, the wealth of the country is divided into three nearly equal parts, land improvements and chattels. This appears to be the fact in every civilized country; and the reason, in part, may be readily discerned. The value of land consists of nothing whatever, except a power of exacting tribute from those who labor on land. The fruits of labor, in which alone this tribute can be paid, consist solely of improvements and chattels. It is impossible that the value of land should exceed the other values combined; because that would mean that the landlords got more than there is to get. In the struggle between the landlords, the capitalist and the laborer, we might reasonably anticipate that the landlord would not get more than one third the whole net produce; and this appears to be the actual average. The reason for an equal investment in land improvements and in chattels

is not so easy to see; but the fact is verified by all accurate valuations.

But nowhere are actual chattels found by assessors, to anything like the value of the land. Taking only places in which there are assessment laws rigidly enforced, Boston discovers visible chattels to the amount of only two and one-half per cent of its real estate, Ohio to only fifteen per cent, Minnesota to only twenty per cent; whereas, in each case, the proportion should be fifty per cent. Here, as in every other instance, it is noticeable that the proportion of chattels discovered by the assessor is greater and greater, as the proportion of farmers to the entire population increases.

The utter failure of the American system of taxing personal property was conclusively shown by our illustrious friend, David A. Wells, in his New York Report of 1871. The writer has taken up the thread, since that time, in various papers, especially in an address before a legislative committees in Ohio, in 1889. It was there shown, from official figures, that the rigid tax laws of Ohio and California ridiculously failed to reach personal property, except in the rural districts. The sworn returns of taxpayers showed that, in five years, Ohio had lost 4,000 watches, 30,000 carriages and $11,000,000 in cash; the inroads of poverty were most marked in Cincinnati, which lost one-fourteenth of its watches, nearly one-third of its carriages, one-fourth of its cash and one-eighth of its credits.

In like manner, the adoption and stringent tax laws in California, resulted, after six years, in apparent loss in San Francisco, of two-thirds of all its cash and one-third of all other personal property. Nine-tenths of California, while abounding in cows, did not possess a pound of butter; fifty counties had crowds of bee-hives, but only four had any honey; and four-fifths of that State so falsely reported by the census as a great wool-growing region, did not produce a pound of wool.

## Experience of Boston.

According to unanimous testimony, the city of Boston is so fortunate as to possess a board of assessors, in whose honesty and ability every one has confidence. Those assessors are armed by

law with almost despotic powers of search and with absolutely despotic powers of valuation. They can ransack every man's books, and they can disregard all the evidence when they have finished. After exhausting all their powers of inquiry, they are allowed to meet in secret, to go through a progress of arbitrary assessment, fitly known by the name of "dooming." All these powers are fully exercised. Their last return of details, being for the year 1889, shows that the whole amount of taxable personal property which they were actually able to discover was $39,000,000, exclusive of bank stock. Being dissatisfied with this estimate, which was all that was justified by any facts which they can state, they proceeded to multiply it four and a half times by a mere guess. In their dooming chamber they guessed that personal property, other than bank stock, ought to be valued at $186,000,000 and the citizens of Boston were compelled to pay taxes upon that amount. Could anything be more monstrous or more absurd than a system of taxation which, even when administered by phenomenally honest and competent men, produce such results?

The items of which the $39,000,000 actually discovered consist are in the following proportions, in round numbers: Visible to assessors, $14,570,000 or thirty-seven and one-half per cent; invisible to them, $24,650,000, or sixty-two and one-half per cent.

Almost the whole of the things visible to Boston assessors consisted of merchandise and machinery. Taxes upon these, of course, if equally distributed, simply increased the cost of goods to consumers, just as excise duties on whisky increase the cost of whisky to drinkers. But, it is manifest from the arbitrary increase made by the assessors, these taxes were not equally distributed; and, therefore, one large section of taxpayers was robbed for the benefit of the other section. For unequal taxation upon producers makes it impossible for those who are taxed beyond their just share to recover such excess from their customers, while those who are taxed below their share recover all which they would have paid under strictly equal taxation. It follows that those who are taxed most are simply plundered, under forms of law, for the profit of their competitors who are taxed

least. If Havemeyer and Spreckels were the only refiners of sugar, and both were taxed equally upon their production, both would recover the tax from their customers; but if Havemeyer should be taxed while Spreckels went free, Spreckels could undersell Havemeyer, who would be practically robbed for Spreckels' benefit. Now this result, in a greater or less degree, invariably follows every attempt to tax personal property.

Passing to the invisible property assessed in Boston, we find that $4,000,000 consisted of cash, $7,700,000 of stock in foreign corporations and $12,000,000 of debts, of which two-thirds were secured by mortgage on real estate. Thus more than one-half of all the personal property returned for taxation consisted of mere paper titles to or liens upon other things, which were taxed somewhere else. If this is not double taxation, what is?

See how the system works. Smith forms a little corporation to own a railroad in Vermont. The railroad is fully taxed there. But Smith lives in Boston; and, as he owns all the stock, say $100,000, and stock in a foreign corporation is assessed there, he is taxed on the whole amount a second time. He mortgages the road for $100,000, and spends the proceeds on improvements. This additional value is taxed in Vermont. But he sells the mortgage bonds to Brown of Boston, who is then taxed again upon the whole $100,000 there. Brown pledges the bonds to Jones as security for a loan of $100,000, and forthwith Jones is taxed upon the whole amount. This makes three taxes upon only one piece of real property. This is the way in which the wise men of Massachusetts mean that their laws shall work; but, as the taxpayers revolt against such injustice, and protect themselves in the only way open to them, to wit, by hard swearing, Massachusetts counteracts that evil by increasing everybody's taxes fourfold, on the assumption that all have made false returns alike. At all events, this is how they do it in Boston.

## Summary of Practical Objections.

All that we have said will be doubtless dismissed by some members of the Legislature with the remark that we are mere

theorists and not practical men. The truth is precisely the opposite. It is the advocates of the personal property tax who are theorists, and we who oppose it, are the practical men. Not only do we include among our number a multitude of persons who own more real estate than they do personal property, and pay far more taxes upon real estate than they ever did or ever will pay upon personal property, but even those of our number who pay no direct taxes at all are thoroughly practical in the true sense of the word. Thousands and thousands of men, and hundreds of legislators, insist that personal property shall be taxed and can be fairly and equally taxed. But this is all theory upon their part. Not one of them can devise any plan by which half of it can be taxed at all, or by which any of it can be taxed with even a decent approach to fairness and equality. Nobody ever succeeded in doing this, and nobody ever will. The idea of any decently just system of taxation of personal property is a theory which stands no more chance of ever being put into practice than a railroad to the moon.

Our first objection, therefore, and one which to our minds is conclusive, is that the thing can not be done. We have stated a few of the reasons why it is impossible to collect a tax upon personal property, bearing with uniformity and equality upon all such property; but it ought to be enough with all sensible men to show that universal and unbroken experience, extending over many centuries, has proved that it never was done and never could be done. It is known with certainty that the experiment had been persistently tried for nearly 2,000 years, and that it has always failed to accomplish anything but gross injustice to develop fraud and perjury, to relieve liars and bribers from taxation and to cast its burdens mainly upon those who were too honest to lie and too poor to bribe. The Romans had tremenduous advantages for the efficient collection of personal taxes, such as our Legislatures can never have. The Roman governors had sense enough to know that such taxes could never be collected with any approach to efficiency, without the use of the scourge, the gridiron and the cross; and they used these gentle

appliances freely. The Egyptian tax governors collected all their taxes by the use of the lash and the bastinado until brutal England tyrannically interfered and deprived these persons of the privilege of annual scourging.

In these United States, we are too squeamish to flog each other into the payment of taxes; and, therefore, our Legislatures have exhausted their ingenuity in inventing schemes for the punishment of our souls by putting a premium upon perjury, official and individual. The personal property tax is not collected with the slightest approach to equality, justice and fairness, in any State, county or town in the Union. It remains just as true now as when it was declared in the Constitutional Convention of 1867: "There is not an assessment-roll made out in this State that does not both tell and work lies." But what is true of this State is equally true of other States. There are other States in which the assessments of personal property is very much larger than it is in this State; but that result is gained by relieving a few officials from the disagreeable necessity of telling lies, and involving many thousand citizens in that predicament. And when all is done, the testimony of assessors throughout the Union is unanimous to the effect that a large and constantly increasing proportion of personal property escapes taxation, and that, more and more every year, the burden of taxation falls upon widows and orphans, or upon those who are too honest or too ignorant to make out false returns. It is roughly correct to say that the amount of perjury increases according to the square of the increase of efficiency in the law.

This leads us to say in the second place that we object to all attempts to tax personal property, upon the ground that they result in enormous perjury and fraud, most frightfully corrupting and demoralizing to the whole community. We are opposed to any method of taxation which can only be enforced by giving taxpayers a choice between payment or perjury; because everybody knows that under such circumstances perjury will become wide-spread and truthfulness which lies at the foundation of human society, will become undermined.

In the third place, we maintain that an immense amount of what is called personal property, is nothing in the world but a paper title to real estate; and there is no more sense in taxing it, than there would be in first taxing real estate upon its value, secondly taxing the deed to the real estate over again, as an independent piece of property and of the same value, and thirdly, taxing the record of the deed in the register's office, as still another independent piece of property of the same value. Everybody sees the absurdity of this; but few appear to see the equal absurdity of precisely similar methods of taxing personal property. Thus while every State taxes the actual possessions of railroad companies within its borders, many States tax, in addition thereto, the pieces of paper which are called certificates of stock in these railroad companies, and all the States tax pieces of paper called bonds of these companies, which represent nothing but a lien upon the real estate which has already been once taxed. The obvious fact is that all the stock and bonds of a railroad corporation, other than those which have been issued for its rolling stock and furniture, represents simply and purely real estate. The stock of more than nine-tenths of all the railroad companies in the United States represents nothing but the value of the right to use the strip of land over which the railroad runs. All the costs of the improvements upon that land, including not merely stations, rails and ties, but also the embankments and gradings, have been paid for out of the proceeds of mortgage bonds. Where is the sense or justice of taxing the stock and bonds over again, if the lands, improvements and equipment have been once taxed? Precisely the same thing is true about telegraph and telephone companies. The vice of the present system of taxation is that, while these corporations have enormous privileges over land, which represent land values or ground rents just as surely as does the ownership of a lot of land in the city; the farmers, in their wild anxiety to tax personal property, never think for a moment of taxing the telegraph and telephone companies, as they ought to be taxed, upon the value of their privileges in passing over land. Every lawyer knows that the

air above the land is in law a part of the land itself; and the telegraph wire, which hangs in the air, is as truly making use of land underneath, as if it were laid in a subway. Street railways have enormous privileges over the lands of cities; which constitute the entire value of their stock and a large part of their bonds; and they ought to pay regular taxes upon these land values. But the farmers never think of this; because they are simply bent upon making stockholders pay larger taxes upon pieces of paper, forgetting that these little pieces of paper can not readily be discovered, while the farmers' own horses, cattle, plows and tools, are easily found by the assessor.

In the fourth place we maintain that money ought not to be taxed, and that any attempt to tax it is especially injurious to farmers and other residents of the rural districts, who are the only persons that desire to tax it. So far as what is called money consists of paper, it is clear that all this paper is mere evidence of debt. Treasury notes represent a debt of the United States; and bank notes represent debts of the banks. If the property, which is represented by these notes, is taxed, it ought not to be taxed a second time by taxing the notes themselves. If that property is not taxed, that only proves that the Legislature, with the strongest desire to do so, has never been able to invent any method by which it could tax that property; and if the Legislature is not able to find and tax the houses, merchandise, food and furniture against which these notes were issued (these being things which can not be put out of sight), how absurd it is to try to tax the notes themselves, which can so easily be put out of sight.

Gold and silver coins ought not to be taxed, because they are as important to the prosperity of the community as blood is to the life of the individual. Taxation tends to drive coin out of the State, and if any successful method of taxing all the coin and other money in the State could be invented, all our money would be driven out of circulation and a frightful prostration of business would ensue, in which none would suffer more than the farmers. Farmers always want to get high prices for their produce; and

no more effective scheme could be devised for cutting down the prices of those products to the lowest point, than a tax which should really reach every dollar of money in the State. Even under our present imperfect system, the banks, in whose hands are substantially all the coins, have been driven to reduce their stock just as much as possible; and a really effective and uniform system of taxation upon money would ruin every farmer in the country.

Moreover, money of every kind, including coin, is nothing but a representative of wealth and not wealth in the best practical sense. Gold, in the form of coins, is of no earthly use, except for the purpose of exchanging one kind of merchandise for another. Nobody can eat gold coins, or wear gold coins, or build a house with gold coins, or make a chair with gold coins, or, in short, put them to any use of any kind whatever, so long as he keeps them. The only purpose for which money is any good at all is the purpose of getting rid of it as quickly as possible, for something more practically useful. Accordingly, no man who is not partially insane, ever carries any large amount of money with him, or keeps it in his house. The very richest men have the least amount of money. Mr. Russel Sage, who is reputed to be worth $50,000,000, never possesses so much as five dollars in actual money, if he can help it. He is supposed to have a large amount of money in banks, but he does not have a dollar of his own in any bank. All which he has, is the promise of banks to pay a large sum to him whenever he wants it, but, as a matter of fact, he never does want it and never takes possession of it.

In the fifth place, we maintain that as nothing remains in the way of personal property, except animals, merchandise, furniture, and the means of transportation, such as wagons and cars, there is no sense in attempting to tax these things. We have shown that merchandise can not be taxed with any kind of uniformity, justice or equality. Even if it could be so taxed, the tax would be added to the market price, and it would be distributed among all the people in proportion to what they use, and not in proportion to what they own. Farmers mechanics and laborers generally

would, therefore, pay a vastly larger proportion of such a tax than would rich men. Every loaf of bread would be made to cost more, and since poor men eat as much, or more, bread than rich men do, poor men would pay a larger proportion of such a tax.

It is obvious that a tax upon animals and wagons would bear very much more severe upon farmers than upon any other class in the community; and, in experience, this is found to be a fact. Taxes upon furniture also, as we have already shown will always be laid much more heavily upon farmers than upon other people. But it is hardly necessary to say more upon this point for there can be no doubt that if the farmers of this State once understood that the only kind of personal property which could be taxed was furniture, animals and wagons, they would be unanimously opposed to any such tax.

## The Question of Justice.

I have been asked by one of your committee whether justice does not require that personal property, which gives rise to most of the litigation in this State, and which otherwise requires the service of the State for its protection, ought not to pay its shares of tax accordingly. This raises the question of justice, and, of course, leads us at once into that region of theory for which most advocates of the personal property tax express great contempt. We, however, do not sympathize with this contempt and therefore believe that the question is a fair and important one. Our answer is that the laws of nature take care of this matter of taxation, and that personal property is taxed to the very last cent of all which it ought to pay by a natural law which needs no statute for its enforcement. Nature compels every owner of personal property to pay a tax, which is called rent, and which everywhere, at all times, and under all circumstances, exacts from every owner of personal property the full cost and value of all the benefits which government can give. Wherever personal property accumulates in great masses, the rent of land is exceedingly high. Wherever there is very little personal property rent is very low, and where there is no personal property at all,

there is no rent. The difference between the enormous annual value of the land on Manhattan island, and the small annual value of the land in Schoharie county is proportioned with wonderful accuracy to the difference between the values of personal property in the two counties. Land has no other value than such as rent, either collected in the present, or expected in the future gives to it. And every penny of rent is collected out of personal property, since there is nothing else out of which it can be paid. Personal property, therefore, not only pays its share of taxation, but it pays all taxation. Nature takes care of this, and the interference of Legislatures only spoils the work which nature has already done. Personal property, we repeat, pays a tax which is more than equal to all the taxes which this, or any other government, requires. It pays them to the owners of the land; and all which the State has to do, is to collect from the landowners enough of the tax which the owners of personal property have paid to them to deffay the expenses of government.

## Our Practical Proposition.

We have thus answered very briefly all the reasons which we have ever heard assigned for any attempt by Legislatures to collect this unnatural tax from personal property. Nevertheless, if the farmers enjoy taxing themselves over two or three times, it is not for us to object. All which we ask is that the people of those counties which do not take the same view, shall be left free to choose for themselves; and at the same time, we do not ask that their burdens shall be lightened in the smallest degree. We are willing that they should pay any proportion of State taxes which the people of the entire State may think fair and just. We only ask that, when their quota of taxation is assigned, they shall be allowed to collect it in their own way.

Our proposition, then, is that each county be left free to decide by a vote of its own citizens, whether the taxes which it raises for local purposes shall be collected from both real estate and personal property, or from real estate alone. What reasonable objection can there be to this request? It makes no difference,

whatever, to the taxpayers of the interior, how we in New York and Brooklyn collect our local taxes. They will neither gain or lose one dollar, whether we collect our taxes from real estate alone or from personal property alone, or from both real and personal property. Our local taxes constitute probably nine-tenths of all our taxes. So far as the portion which we ought to pay to the State is concerned, we are willing that that shall be ascertained in the present clumsy fashion if you gentlemen of the interior prefer; or we are willing that it should be ascertained in some other manner even more favorable to you. Since you believe that you can put thumbscrews in effective operation in the interior, so as to discover a large amount of personal property and tax it all over again, we would be willing to compromise by adding for State purposes as large a proportion to our local valuations of real estate as your interior valuations of personal property bear to your valuations of real property. Thus, to illustrate, let us suppose that New York and Brooklyn should vote to exempt all personal property from taxation, while the rest of the State pursues the old law. Let us suppose that in the interior counties, where personal property is assessed and taxed, it appears that, taken together, personal property is valued at twenty per cent of all the real property. We should be willing to have twenty per cent added to the value of real property in New York and Brooklyn, for the purpose of ascertaining the share which we should pay of State taxes, provided we were left to collect these taxes in our own way. Under such an arrangement, it is perfectly certain that our two cities would pay a larger share of such taxes than they do at present. And yet we taxpayers would be glad to accept such an arrangement, because we know very well that the business of the two cities would so greatly prosper and value of real estate increase so much that we should be benefited quite as much as you would be.

Although we have undertaken to answer at such length the question so constantly put to us, "Why should taxation upon personal property be abolished?" yet our real answer is to ask another question: "Why should the citizens of New York and Brooklyn be compelled to tax personal property for local pur-

poses against their will?" Why should the farmers of the interior compel us, who live in cities, to maintain a system of taxation which we do not believe in, which greatly injures us, and which does not benefit them in the smallest degree?

## Conclusion.

In conclusion, therefore, we ask that the local authorities of each county be left to decide for themselves how they will collect their own taxes. We do not ask for any lessening of the share of taxes which we now pay; on the contrary, we offer to pay more to the State than we do now pay. We ask for the right of home rule and self-government. We ask that methods of taxation, which may perhaps suit the people of other counties, shall not be forced upon us to our great injury, and without any benefit to them.

In this demand, we represent substantially all the wealth and intelligence of these two cities; all of the taxpayers who have given public expression to any views upon the subject; all persons who have given to it any careful study; a large majority, at least, of the owners of real estate, and finally, that great mass of intelligent laboring men, out of the fruits of whose labor, in the long run, all taxes must be paid. We admit that there are many among all of these classes who have paid no attention to this subject, and who have suffered from the present unjust and barbarous methods of taxation without knowing what oppressed them. But we can assure you that the number of those who are awakening to a comprehension of this subject, is continually growing, and that there is no party in opposition to those views, to be found in these two cities, except those who have given no thought to the subject, and who are simply opposed to a change which they do not understand. We ask you to frame a measure which shall put an end to this incessant conflict between the city and the country, by doing justice to both; and leaving each free to decide according to its own convictions and its own interests. And we assure you that no measure could possibly be more popular and at the same time more statesmanlike than the extension of the principle of home rule and self-government to matters of taxation.

George S. Coleman, recalled.

By Mr. Guenther.

Q. In view of those corporations incorporated in other States and doing business here, which are assessed upon personal property to the extent say of $20,000, they having a capital of $100,000 in other States, can you suggest any amendment to the present law whereby we can reach them for the full amount of their capital stock for the purposes of taxation? A. I can not suggest a method that would be consistent with the way we assess our own corporations; I understand the law which says that the tax on property must be on property within this State; if one of our own corporations had invested half of its capital in New Jersey in a plant there, that plant would be exempt; the State in taxing the franchise might tax it upon the full value of its capital, but I think that has been construed as unjust and has been modified so as to tax it only on the capital invested in the State; I might have expressed myself clearly about that when corporations went out of the State to evade taxation, I understood you to mean corporations simply organizing in another State, but doing business here, that is what I meant when I said they could be taxed here.

The committee then went into executive session and on motion decided to meet again December 22, 1892, at 2 p. m., same place.

---

Superior Court, Part 2,

New York, December 22, 1892.

The committee met pursuant to adjournment.

W. H. Wood, called as a witness, being duly sworn, testified as follows:

By Mr. Creamer.

Q. Mr. Wood, your full name? A. Q. H. Wood.

Q. You are chairman of the board of assessors? A. Chairman of the State Board of Assessors.

Q. How long have you been a member of the board of assessors? A. Since the 28th of June, 1892.

Q. Previous to that did you have any experience in connection with matters of taxation in our State? A. Not particularly with reference to the State; I have served in the board of supervisors in my county, and on the committee of equalization, which has something to do with tax laws.

Q. Have you read the resolution? A. Yes, sir.

Q. Will you please give the committee your views concerning the taxation of personal property? A. Well, I think the laws should be amended so as to repeal the exemption of debts on personal property.

Q. As against real estate and personal property? A. As against real estate and personal both; I think that there is the main avenue through which a great portion of the personal property of the State escapes taxation; there should be a certain amount of personal property, or personal property of a certain class, exempt; in some localities the assessors now follow the plan of assessing the farm stock and implements as personal property. Of couse, under the statutes all forms of personal property are taxable and I think a reasonable limit of exemption should be made by the law, but all above that should be subject to taxation just the same as real estate.

Q. In your last report, I believe, Mr. Wood, you state that it is the judgment of the members of the board that there is some 4,000,000,000 of untaxed personal capital in the State? A. That is the report of the former board, but I believe that that is the fact, that there is about that.

Q. What proportion do you know this county would include in that sum? A. I am unable to state; I have made no personal examination of that, but I should assume that it would have at least forty-five to fifty per cent, perhaps more, as there is a larger amount of corporate property in the city and county of New York.

Q. Are you familiar with the views of the previous board, or any members of it, concerning how that property should be

reached and placed on the rolls and made subject to taxation? A. Only as expressed in the report for 1890, the last report made.

Q. Please give it? A. Their view was the adoption of a listing system similar to that in the State of Ohio and Massachusetts, and also the repeal of the exemption of debts on personal property — that provision which permits an individual to swear off the personal taxation on the amount of his indebtedness.

Q. I think there is a doubt in the minds of the people as to whether it is the intention to tax all personal property, such as defined in the statute, including household furniture and other property of somewhat similar description; I take it that the main object of the committee representing the Legislature, and all those who are interesting themselves in relation to this question, is to reach first of all interest and dividend paying personal property, which, I suppose, this 4,000,000,000 covers, without touching household goods? A. That has no reference, I think, to household effects.

Q. I state that in order to get an expression of the opinion of the State assessor as to whether that was covered by the 4,000,000,000, or whether that 4,000,000,000 figured up that sum without including those ordinary effects of every citizen? A. I have not any knowledge as to the statement made by the previous board, other than that gained by inference, reading the report and conversations with the gentlemen who drew it; my impression is that it is intended to convey the idea that there are 4,000,000,000 of personal property that escapes taxation without including such items as household furniture, or items of that kind, or ordinary personal property; it is intended to convey the notion that that is represented by what you call dividend paying personal property, stocks in corporations, etc.

Q. Now, what is the theory of the board of assessors, as far as you known, as to how this property should be assessed — personal property — all alike at an equal percentage of taxation? A. That is a subject to which I have given very little reflection; the

duties of the State Board of Assessors have very little to do with personal property as a rule; we are confined to the equalization of assessments between the various counties — the assessment of real estate and the equalization, on review, made by the various boards of supervisors wherever there is an appeal made; my own opinion is that some form of taxation of corporate stocks, somewhat similar to the method in which bank stocks are taxed at present, would be advisable.

Q. Could you reach trust companies and express companies by the same method? A. You could not reach express companies.

Q. It was stated previously by Tax Commissioner Fietner — I understood him to state that it was their intention, and I was a little in doubt myself as to whether that could be done; I wish you could enlighten me? A. I don't think you can reach an express company in that way, or a trust; you can only reach a corporation where the books are subject to examination, and most of the express companies, as I understand it, are not really corporations; they are in the nature of partnerships — joint-stock associations.

Q. What was the plan suggested of taxation? A. The plan that I suggest to reach a certain class of corporations is similar to that employed in the taxation of bank stock; to have the stock assessed to the corporation, and paid by it as upon each individual stockholder; in a national bank the stockholder does not pay the tax upon his stock; it is assessed to the bank, and the bank pays the taxes.

Q. What law should be amended to reach that result if so desired? A. I don't know the specific statute, but it is an amendment of the statute in relation to the taxation of corporations.

Q. As regards personal property, can you inform the committee when it was that the laws were amended exempting some of those corporations entirely from all taxation, other than what they contribute towards the State? A. No; I am unable to give you the dates, because those exemptions have occurred at different times, not all at one time.

Q. Do you remember any time? A. No, sir; I do not.

Q. Well, you would assess the corporations the same as the bank shares are now assessed to the bank? A. Yes, sir.

Q. All corporations organized specially and under the general law? A. That is a subject that I should want to study a little more before I give an opinion as to that; you might be able to reach some; it is more a matter of detail.

Q. Would that include business association? A. I think it would; I see no reason why a business corporation should not pay a fair tax upon its stock as well as any other.

Q. Did this decision in the National Express Company's case affect any State taxation as well as local? A. Well, it affected in this way, that the State taxes are collected as a rule with the local taxes, in the same levy, in most of the counties.

Q. The State will lose? A. Yes, sir.

Q. Have the State Board of Assessors taken any action as regards removing the effect of the law as contained in that decision? A. Nothing except in the general recommendations that have been made by the board in their former reports, and such as we will make to the coming Legislature; there is no other step we can take.

Q. Did they consult with the Attorney-General about preparing an act to amend the law affected by the decision, seeing that the State loses revenue? A. That hardly falls in the province of the State Assessors.

Q. Your board has been subject to much criticism from the manner of alloting certain sums to different counties in your annual equalization? A. Yes, sir.

Q. Will you please give the committee some opinion on that subject which no doubt will clear up much doubt concerning it? A. The duties of the State Board of Assessors are to collect first information from each county and determine the rate of assessment as to true value — that is, the ratio that the assessment bears to the true value. They get that information in various ways, by conference with the boards of supervisors, by lists of bona fide sales, excluding all judicial sales, and all sales between

members of the same family, and determine from that mass of evidence the rate of assessment in each of the various counties in the State, and when that rate is once determined for each county, the equalization table of values is simply a matter of arithmetical computation.

Q. Wherever the assessed value is a smaller percentage than you think it should be in proportion to other counties, you do that? A. No, sir; that is not the way in which an equalization table is made.

Q. Does not that govern you at all when you see property assessed at a small percentage? A. I will explain how an equalization table is computed, and then you will see it is not a matter of taking off or putting on by the board; the assessors determine as soon as they can from the evidence they are able to gather of this kind that I have detailed before, and the rate of assessment in each county of the State, and with that as a basis the first step in the table is to find what the full value of every county would be if it were assessed at full value, which is a simple operation of dividing the assessed value by the rate it is assessed at, that gives you the full value of the county; the sum total of that will be the full value of the State, and the full value of each county divided by the full value of the State will give you the equalized percentage of the county, and the total assessed value of the State multiplied by that ratio will give the total equalized value of the county; that is the way in which this table is arrived at, and the result there where it says so much added or so much taken off those columns are simply to show plainly what the result is and not the addition of an arbitrary sum at all.

Q. On this basis it shows there has been no dereliction of duty on the part of the assessors, but they have lacked information. A. There is a variation of opinion; some counties assess at seventy-five or eighty and eighty-five per cent of the value and some counties as low as fifty per cent.

Q. Take the agricultural lands; how do you find them; uniform? A. It is not uniform, but it will go nearly seventy-five per cent.

Q. As high as that? A. Of its true value.

Q. What it will bring at a sale? A. Yes, sir.

Q. Seventy-five per cent? A. Yes, sir.

Q. As high as that in St. Lawrence county? A. I think it is higher in St. Lawrence county; St. Lawrence is credited with a higher percentage than that.

Q. Can you give us from memory what the rate of taxation is at present in some of those counties where the assessed value is as high as that? A. I can give you St. Lawrence, I think that is eighty.

Q. The assessed value is eighty? A. Yes, sir.

Q. What about the rate of taxation? A. It is assessed at eighty per cent.

Q. What is their county tax? A. I could not give you that from memory.

Q. Do you know what the rate runs at on such a valuation? A. No; I could not tell you as to that.

Q. Two or three or four per cent? A. I could not tell you as to that, because the rate varies in every town.

Q. Isn't there in your knowledge any case, or any town, that you can give the committee so as to form a conclusion as regards what agricultural land is bearing in the way of taxation? A. I have not the report of the board.

Q. There is no one case that occurs to you just now? A. No, sir.

By the Chairman.

Q. Could you give us the rate of any agricultural town in Dutchess county? A. It varies there; it is impossible for me to give you the rate in any town.

Q. I didn't know but what you would be able to tell me for some one town in your own county? A. It varies from year to year in proportion to the increase or decrease of town expenses.

Q. I didn't know but what there might be some one town in Dutchess county with which you were more familiar, last year? A. For instance, I can give you the county of Columbia, that was five dollars on 1,000 last year, and the county of Chautauqua was three dollars and eighty-one cents; that was the general rate.

Q. On $1,000? A. Yes, sir.

By Mr. Guenther.

Q. What is it in Erie? A. I don't know what it is in Erie; we only get that when they bring an appeal.

By the Chairman.

Q. Don't you consider that a very low rate of taxation compared with the taxation rate in cities as you know them to be? A. Yes, sir; the rate of taxation is lower, of course, in the agricultural counties than it is in the cities, because there is not so much local expense.

Q. What is the rate, for instance, in the city of Poughkeepsie? A. About two dollars and fifty cents, I think.

By Mr. Creamer.

Q. On $1,000? A. Two dollars and fifty cents a hundred.

Q. And in the county? A. I think I was in error in the other counties too; I don't recollect the exact figures.

Q. Is there any town in Dutchess county that you can give the committee what the rate is? A. No, sir; there is no town there that I can; I live in the city of Poughkeepsie; I don't pay any taxes.

Q. The county of Dutchess, according to the census, lost population from 1880 to 1890? A. Yes, sir.

Q. To what do you attribute that? A. I think it is the tendency of modern civilization for people to go to the cities — to drift away, and the change in the manner of local employment; there is not as much profit in smaller farms; the competition of the large farms in the west has brought down the return for agricultural labor, so that men are seeking other employment.

Q. And the wages, how are they? A. And the wages remain not much different from what they were ten or fifteen years ago.

Q. You think then that it was principally on farms that the decrease occurred? A. Yes, sir; the manufacturing villages and cities increased.

Q. This decrease then in Dutchess is purely an agricultural case? A. Yes, sir; there are these facts that you want to take

into consideration, that the rate of taxation in country districts or city districts depends very much on the cost of local government — that the rate of State taxation for the country is precisely the same as it is for the city, but the cost of county or town government makes the difference in the rate; it will vary one dollar in different towns; some towns in the counties of Dutchess have a very high rate and some have a low rate; some have a big village in them with a great deal of expense; I know farming towns where the total expense of the town, county and State tax is not over $2,000.

Q. The injustice to the agricultural districts would come in the equalization, supposing that the values are not uniform? A. The purpose of equalization is to provide against that injustice on the part of the State taxes.

Q. Suppose that the basis of valuation in St. Lawrence county is eighty per cent and in Westchester county it is only forty-five per cent, when the State assessors come to equalize how do you settle that apparent inequality? A. That was the matter that I was explaining; the State Board of Equalization (the State Board are a part of that body) they take the State throughout and find the rate of assessment in each county, and then from that rate of assessment and its assessed value we find what we term the full value — what it would be if assessed at 100 per cent of its value; then the sum of the sixty counties will be the total full value of the State, and the full value of the particular county divided by the total full value of the State will give you the ratio that that county ought to bear; it is simply an arithmetical computation.

Q. Do you mean to say that after the board of equalization meets for the purpose of equalizing among the several counties that you ascertain the full value in each county, compare it with the value actually made up by the assessors? A. Yes, sir; we ascertain the full value in every county in the State.

Q. Can you furnish the committee, at the next hearing you attend, with a statement showing the last ascertainment of the values fixed by the assessors in the several counties, and the values reached by you as being the full and true values? A.

Yes, sir; I think I can get that to you this afternoon; I have a memorandum, I think, in my valise in my hotel.

Q. I think almost every witness that has preceded you here has indorsed the proposition of divorcing the State taxes from local taxes altogether; in other words, collecting them separately; what have you to say to that? A. That is a question as to the convenience of taxation; I don't see any particular reason for having the State taxes collected separately, or why they should not be collected and levied at the same time.

Q. In that connection the witnesses have advocated that real estate should be relieved from taxation for general and State purposes; now, in that connection you see this question of equalization among the counties would be done away with altogether; what do you think of that proposition? A. Well, if it is possible to raise the revenue of the State by fair taxes in other forms to the relief of real estate, I see no objection to it; it would remove the question of equalization as between the counties, but you would still have to provide a court for the review of equalization made by boards of supervisors, which is at present the State assessors.

Q. That would be entirely a local matter? A. Yes, sir.

Q. The Legislature could lay down a line of procedure for local authorities? A. Yes, sir; if you could get the boards of supervisors to overlook the local advantages in making up the table of equalization.

Q. Of course, they would have to follow the law? A. Yes, sir.

Q. Now, to make it plain, suppose that ways and means can be devised for the support of the general government from sources other than levying a tax on real estate would you recommend that? A. Well, I should if those means can be devised in such a way as not to drive capital and business corporations, and the other species of property upon which the revenue of the State should be raised, out of the State.

Q. In that connection do you recall any instance where, in your judgment, capital has been driven from the State by restrictions affecting corporations? A. I know of one instance where a corporation was organized under the laws of the State of New York and reorganized under the laws of West Virginia for the

purpose of avoiding the stringent tax laws of the State of New York.

Q. Now, can you tell the committee what particular provisions of the tax laws, resulted in the transfer of that corporation from the State of New York to the State of West Virginia? A. They desired to reorganize and increase their capital stock I think from 1,000,000 to 3,000,000, and one of the things that they sought to avoid was the payment of the fee on the incorporation of the company; I think it is one-eighth of one per cent.

Q. Would you suggest any modification of the law in regard to the levying of that tax on incorporation? A. I think you would arrive at the same result if it was lessened; my belief is that the formation of large corporations in the State of New York has very much decreased since the passage of that act on account of that provision; wherever it was possible for them to organize under the provisions of the laws of another State and do business here they have done so.

Q. Would you lessen the rate of one-eighth of one per cent, or wipe it out altogether? A. I would not wipe it out altogether, because there should be some revenue derived from it; West Virginia, I think, charges a fifty dollar fee.

Q. Upon the filing of the certificate without any regard to the amount of the capital stock? A. That is what I understand from the counsel that drew the papers.

Q. You believe it to be a specific sum? A. Yes, sir; it was a specific sum.

Q. Do you think it would be better on the filing of the articles to charge a specific sum in this State? A. I think the sum ought to be graded in proportion to the amount of capital stock.

Q. Would not that reach just the same result? A. Yes, sir; it would reach about the same result except if it was less than it is at present why more corporations would be formed.

Q. How much less would you make it if you had your way? A. That is a subject upon which I have not reflected; I don't know; I have very little knowledge of the amount derived from it.

Q. One-eighth of one per cent don't seem like a very large sum

to charge, does it? A. No; but if you were organizing a $3,000,000 company it is quite a little item of expense to pay; they seem to try to avoid it at all events.

Q. What would you think of a change in our statutes which would make corporations organized under the laws of other States, doing business in this State, liable to taxation, inasmuch as they enjoy the privileges of doing business within the limits of this State? A. I think that some statute of that kind should be passed; I don't see any good reason why a corporation that does business and is protected in this State should not bear its share of the burden, but of course in taxing that form of property that is called personal we always have to bear in mind the fact that it will escape more easily than real estate, and every man will escape taxes if he can.

Q. What is your opinion generally on the question of taxing personal property? A. I think that personal property should be taxed.

Q. Do you go so far as to recommend that property in an ordinary business ought to be taxed? A. Hardly that; I think there should be a reasonable exemption of personal property; a certain amount of stock, or all of the stock of a firm — certain stock in business might be exempted.

Q. Now, to give an illustration, you find in the country one man has got $10,000 invested in a house and lot, and his next door neighbor has got $10,000 invested in business — we will assume a good paying business — the man who owns real estate is taxed on its full value; the man who has $10,000 invested in business escapes taxation altogether; what do you say to the proposition of taxing him? A. I never saw any reason why he should not be taxed.

Q. Then you think he ought to be taxed? A. Yes, sir.

By Mr. Gifford.

Q. Is it not a fact that this $10,000 owned by the one in personal property earns more than the $10,000 owned by the other in real estate? A. I think it is so now if the testimony of farmers is to be believed.

By the Chairman.

Q. You said something a moment ago about fixing a limit in stock. A. It is a very difficult subject to say what the limit should be; I have really no opinion, but I know in some counties — I can not specify any particular one, but we receive inquiries all over the State as to what is personal property; in some places they seem to follow the practice of assessing farm stock and implements as personal property, and other places they do not, and in some places they assess stock of goods in stores as personal property, and in other places it is not done at all; there ought to be a uniform rule in respect to it; and the statute exempts certain goods from execution, and it exempts the property purchased by pension moneys, in the language of the statute, from execution and from sale for taxes; the Court of Appeals have decided that that exemption of pension moneys carries the exemption of real estate from levy and sale under an execution, and I don't see any reason why the principle does not apply to exempt it from taxes.

Q. What do you say about the proposition about taxing bonds and mortgages? A. I think they ought to be taxed.

Q. Did you take into consideration the question of the real estate being assessed its full value without repard to indebtedness? A. Yes, sir; I know that is the rule.

Q. You would tax the holder of the fee for the full value without regard to the mortgage, would you? A. Yes, sir.

Q. And then you would recommend also the taxing of the holder of the mortgage? A. Yes, sir; tax it as personal property.

Q. Would or not that, in your opinion, be double taxation? A. Well, I don't think it would operate as double taxation for the holder of the mortgage; it would be made a condition, perhaps, of the loaning of the money; it might bear as double taxation then upon the individuals who own the property; I say that I think bonds and mortgages ought to be taxed for the reason that I never could see any justice in making the holder of the fee pay a tax upon the whole property and the owner of the bonds and mortgages escape entirely.

Q. I think you said that you were in favor of taxing the owner of the fee without regard to the indebtedness? A. I am, unless you continue the system of allowing holders of personal property to swear off on account of debts.

Q. I am dealing now entirely with the question of real estate; are you in favor of assessing the owner of the fee of realty without regard to whether it is encumbered or not? A. I think that is a question I should rather reflect on a little before I gave you my opinion; I have not considered it very much.

Q. You say that to tax the owner of the fee the full value, and the mortgage as well, would not in your opinion be double taxation? Now I cite an instance: A house and lot in the city of New York is assessed for $50,000; it has on it a $25,000 mortgage which pays four and one-half per cent; that lot and building is assessed for its full value, and the rate of taxation in New York is one dollar and eighty-five cents per hundred; now, if you assessed the owner of the mortgage on $25,000, and his rate is one dollar and eighty-five cents, you see there is three dollars and seventy cents on the hundred, so that there is not much left of the rate of interest; now, I ask you, after considering it in that line, whether you think both ought to be taxed? A. I don't know that I do; of course, the taxing of the bond and mortgage would make it more difficult for purchasers of real estate to obtain loans upon real estate, and it is to the advantage of the real estate owner to be able to get a loan readily on his property.

Q. Do you think that loans could be obtained for four or five per cent as they are now, if the holder of the mortgage was assessed anywhere from one dollar and eighty-five cents to two dollars and twenty-five cents? A. No; they could not be obtained as readily, because men would seek investment of their money where they did not have to pay taxes; perhaps the exemption of bonds and mortgages would enable holders of real estate to borrow money more readily.

Q. Do you think that such taxation would have a tendency to drive capital out of the State? A. I think it would; there are

many States where they do not have to pay taxes, and of course every holder of personal property, or of any kind of property, seeks to evade all the burden that he can.

Q. The last two Legislatures have considered the question of reducing the legal rate of interest from six to five per cent; the same question will probably be discussed by the Legislature of 1893; now, what do you think the effect would be of passing two bills, one reducing the legal rate of interest from six to five, and the other taxing bonds and mortgages? A. It would make it more difficult to obtain loans on real estate.

Q. Would you recommend the adoption of both propositions? A. Speaking hastily, I do not think I would.

Q. Would you recommend either one? A. I do not think I should recommend either one at present; no.

Q. Do you think there would be any direct relief to the farmer by the reduction of the rate of interest from six to five per cent? A. Hardly so; because, as a matter of fact, to borrow money you could get all you want at present on good farm lands at five per cent; it is not necessary to pass a statute for that.

Q. That applies to the country district? A. Yes, sir; so far as my experience extends.

By Mr. Gifford.

Q. Then why would it do any harm to reduce the legal rate? A. I do not know that it would do any harm except that there are kinds of loans where the risk is greater that perhaps a person loaning the money should have a larger percentage; it is only on good loans — I am not much of a believer in the doctrine of controlling the rate of interest by statute; I think the supply and demand does.

By Mr. Guenther.

Q. Now, in the event of reducing the legal rate of interest from six to five per cent, or in the event of taxing bonds and mortgages, who would be the sufferer, the loaner of the money or the borrower? A. The borrower; he always has to suffer.

By the Chairman.

Q. The first purpose of this inquiry I will read to you: As to the propriety of modifying the present laws relating to taxation, assessment and interests, so far as they affect the agricultural, manufacturing, commercial, labor, banking and other interests of the State; can you suggest any modification of the existing laws that would give relief to either of the interests I have enumerated? A. The principal suggestion I have is that one that was embodied in what I said before, the repeal of the exemption by debts on personal property so as to reach more effectively the personal property of the State; I believe the changes in tax laws should be made very carefully and slowly; you can not tell what the effect of the statute is very well until you have had a year or two experience in its operation; I am opposed to radical changes.

Q. Without qualification, you recommend the modification of the existing law so as to prevent any offset by indebtedness on the taxation on personal property? A. Yes, sir; I think you will reach more personal property if you do that.

By Mr. Guenther.

Q. Would you also recommend a revision of the tax for the purpose of incorporation? A. I can hardly say that I would recommend that; my notion is that the State does not derive any additional revenue, but my opinion is very limited on that subject; I do not know what revenue they get; the Comptroller or some of those officials in Albany would know better about that.

John Connolly, called as a witness, being duly sworn, testified as follows:

By Mr. Creamer.

Q. You were a member of the Legislature last year and some years past, I believe? A. Yes, sir.

Q. And you introduced a bill on the question of taxation; will you please state to the committee what it was? A. I introduced two bills; the one which has attracted the most attention is the one known as the local option bill, which I will first speak of, if you wish.

Q. Explain to the committee the provisions of the bill? A. The local option bill provided that for local purposes the question of taxation be left to the counties — all of the counties of the State, the board of supervisors there to have the power to adjust taxes as in their judgment they deemed best, not interfering with the quota that each county was obliged to pay for the maintenance of the State government; the purpose sought by that bill was that in the larger cities the vexed question of what class or classes of property should pay, or what class or classes should be exempt — that the sentiment of the various localities would govern the question, by the board of aldermen in cities and the board of supervisors in the counties; for instance, New York city, if in the judgment of the board of aldermen, whose judgment would be governed by public opinion, and the advice of the tax commissioners and the sinking fund commissioners, it were deemed advisable to abolish taxes on personal property, and oblige real estate to bear all the burden that would be in the interest of the people by relieving personal property, it would attract capital that is not now invested; and, furthermore, it would prevent that lying and cheating that is going on and which it is impossible to prevent.

Q. Wherein does that differ from the present law; will you please explain what amendments you make? A. Under the present law nothing but chaos exists, in my judgment; for instance, the tax commissioners now have the right to tax personal property and other kinds of property that they see fit.

Q. Under the law? A. Yes, sir; but the difficulty they have in getting at it permits personal property to escape and the timidity of capital injures the city and prevents capital being invested here.

Q. What do you propose to do to bring order out of this chaos? A. I propose to leave to the board of aldermen, which under the circumstances is the board of supervisors in counties, the power of ascertaining what class of property should bear the taxes.

Q. By instructing the tax commissioners? A. Yes, sir; I believe in Mr. Feitner's suggestion, which I wanted to incorpo-

rate in my bill, and that is that the tax commissioners and the sinking fund provide a code — if the tax commissioners and the sinking fund commissioners have the power to get up a code and get a concensus of views of all interests they could then readily get at how to apportion and distribute the burden of expense of government.

Q. You might give some power to the board of apportionment? A. That would have to be submitted to the board of aldermen in the city or the supervisors in the country localities.

By Mr. Guenther.

Q. If such a precaution was necessary for New York county why should not it be necessary for the different counties of the State? A. Have the mayor or the president of the village designate some officers who should submit to the board of supervisors some such code, and that would be governed largely by sentiment; take the county of Westchester; there are many towns in Westchester well adapted for manufacturing purposes; suppose the board of supervisors there had the power to say that a meeting for a concensus of views should be had; that it would be a good thing to abolish taxes on personal property, the effect would be it would attract capital to Westchester county for manufacturing purposes that would enhance the value of real estate because the value is regulated by the demand for it, and as soon as you attract capital you enhance the value of real estate — enhance its value and it can pay readily and increase its taxation; this city if real estate had to bear all the expenses of government it would only increase the total amount about five per cent, but still the tax commissioners under my bill would have the power under a code to be submitted to the board of aldermen to compel corporations to pay a share, if public opinion thought it would be for the best interests of the people.

Q. Did your bill propose to amend the Constitution? A. You would not have to amend the Constitution to provide that because the code would provide subject to the approval or disapproval of the board of aldermen.

Q. Does it prevent a subsequent Legislature from affecting your code? A. The tax commissioners in cities and the sinking fund commissioners and the board of apportionment; the bill could provide that they prepare a code of taxation regulating and apportioning the respective portions of real estate and personal property that corporations should pay, subject to the approval or disapproval of the board of aldermen and which would not violate the spirit of the Constitution.

Q. The original law of the State was uniform concerning all counties of the State; that uniformity was in existence here many years ago until special exemptions were made to particular interests in different counties, more particularly in the metropolitan counties; how did you provide against that? A. By having the bill applied generally.

Q. The original tax laws of this State applied generally? A. We never had a system in this State, and with the exception of Pennsylvania, where the expense of the State government is defrayed entirely by taxes on corporations, we never had such a system as we would have under this bill.

Q. What your bill would get at would be to allow each county to decide for itself as to the assessing of personal property or nonassessing? A. That is it exactly.

Q. If the people in the different counties saw fit to exempt it, they could have the privilege to do it? A. Yes, sir.

Q. That is the marrow of the bill you proposed and that is known as the Local Option Tax Bill? A. Yes, sir.

Q. Still, if there is a special act exempting corporations from taxation those laws would have to be repealed as well, or else this local option bill would not affect them? A. Yes, sir.

Q. In case there is a uniform system of taxation aimed at, would not that largely lead up to a constitutional amendment? A. My judgment is that the inheritance tax is becoming so great and from other sources from which taxes are raised for the maintenance of the State government, that it will be seen that the State assessors will have very little to do as to apportioning for State purposes taxes on real estate.

Q. What is the tax for State purposes? A. New York city pays forty-five per cent of the entire tax for this year.

Q. Can you inform us what the cause of the increase of the allotment to New York was? A. I think it was a falling off of what was supposed to be the inheritance tax which did not realize so much; Mr. Wood, I think, is more familiar in that respect than I am myself; of course, we always have to pay more than our share in New York; though we pay forty-five per cent of the State tax, we do not represent forty-five per cent of the real estate valuation; I do not think we represent over thirty-five per cent and the other thirty-five per cent we give for the benefit of the country; we are rather philanthropic.

By Mr. Guenther.

Q. By referring to the bill you introduced, is it not your opinion that the ultimate object of that bill was to exempt entirely personal property from taxation? A. No, sir; I do not think so.

By Mr. Gifford.

Q. Do you not think that if the cities under that law were granted the right and saw fit to exempt personal property that it would have an effect to bring about the same exemption in rural counties adjoining cities? A. They have their own interests to serve and would be governed by their interests; if it was for their interest to exempt personal property they would know what to say.

Q. I think you said in your former testimony that the attraction of capital to any locality enhanced the value of property in that locality? A. Yes, sir.

Q. Now, suppose we pass this law which brings about a withdrawal of capital, as I apprehend it would from the rural districts, what effect would that have; would that appreciate or depreciate the value there? A. I believe that the supervisors in each county would be governed entirely by what would be for their best interests and could have a system for their best interests and much better than the present system.

Q. But, suppose that any one of these outlying counties would have a number of capitalists who were escaping taxation — who desired to escape taxation on personal property — and they know

that the effect of this Local Option bill is to exempt it in the cities, what will be their position towards the board of supervisors in making up their basis of taxation; would it not be natural for them to say: "Now, you must follows suit and tax upon the same basis that the city does, or we will withdraw our capital and invest in New York, Buffalo or Syracuse, or in any city where there is exemptions?" A. That will be regulated this way; suppose John Jones in your county should appeal to the board of supervisors where they are severe on him and say that unless they let up he would move to an adjoining county where personal property was exempt so that you would be compelled to adopt a different system; the people always, if left to themselves, do what is for their best interests; I find that while the Legislature at Albany are in the main governed by good principles, yet, if the localities had something to say in the government of themselves, they would be much better governed.

Q. You call this local option, but if the action of the city brought about this result, and forced the boards of supervisors in the rural counties to adopt the same basis, would it amount to local option; does it not amount to the rule of the cities over the counties? A. No, sir; how could this city rule the board of supervisors of Chautauqua county?

Q. In this way, our capitalists would say: "Unless you fix on the same basis that they have in Buffalo and New York, we will withdraw our capital and invest it there;" what recourse have we? A. You would have the recourse of acting as it was best for your interests.

Q. The final result then would be to release and exempt all personal property throughout the State in a few years? A. Not at all.

By Mr. Creamer.

Q. What was the result of the introduction of your bill? A. Like all good measures, when first introduced it met with temporary defeat.

Q. In the committee of the whole? A. No, sir; I succeeded in getting it before the House; there is no committee of the whole under the new rules.

Q. Did it pass the Assembly? A. No, sir.

Q. Was there a vote taken? A. No, sir; I believe though that with the coming Legislature, with the increase that the cities have, and in view of the fact that the minds of the rural legislators are being disabused as to the effects of this bill through education, that it stands an excellent chance of becoming a law at the next session.

Q. Did it clear the way of those exemptions? A. No, sir; that would be left to the local authorities.

Q. It left them a clear field to exempt whom they saw fit in their respective counties? A. Yes, sir.

Q. It supplanted all other legislation on that subject? A. Yes, sir.

By Mr. Guenther.

Q. Are the single tax people opposed to or in favor of your bill? A. I can not say positively; I think some of them were.

Q. Opposed to it? A. I can not say positively that they were unanimous for it; Mr. Shearman favored it; I do not know whether the single tax people were unanimous in regard to it or not.

Q. Who drew the bill? A. Mr. Hall of New York, Mr. Shearman and Mr. Claflin — John Claflin — they were instrumental in preparing the bill; it was favored by the New York press unanimously; I recollect very well that the Times had a number of editorials, and the Advertiser and other papers strongly urging the bill.

Q. Isn't Mr. Hall one of the principal advocates of this single tax theory; has he not written a book on the subject of single tax; have you seen a copy of such a book? A. I believe he is a very well informed man of some literary reputation; what subjects he has written on I do not know.

**John D. Ellis, called as a witness, being duly sworn, testified as follows:**

**By Mr. Creamer.**

Q. You can enlighten the committee on this question of taxation from your experience; have you read the resolution in relation to the creation of this committee? A. Yes, sir.

Q. As to recent legislation, has it been the cause of driving capital from the State; have you any knowledge on that subject? A. Well, the work of the State Assessors, of course, so far as they judicially work, they have no jurisdiction except to equalize the realty; they have nothing to do with personal property, so that in the official work of the State Board of Equalization they are called assessors, but are a board of equalizers.

Q. What has your observation been concerning personal property generally, not in connection with your duty, but information which you must necessarily acquire in dealing with the subject? A. I will give you my observation and the opinion I have formed upon the general methods of assessment and taxation, and then I will answer any questions; if I were drafting a bill I would first assess property where it is located, realty and personal property alike — the property wherever it is; for instance, a stock of goods in Jefferson county; I would assess that property as I do the realty there without regard to the ownership — where the property exists; so in the city of New York I would assess all stocks of goods; if the owner chose to reside in Westchester let him do it, but I would assess it where the city has got to protect it, without regard to where the offices are; I would assess it where it is protected.

Q. Would you assess the citizen? A. Whether the owner of the property resides in some other county or outside of the State; I would assess it where the property has the protection.

Q. Then you would not follow the Massachusetts law and assess a citizen or resident outside the State limit? A. I would assess that property in the county where it is protected.

Q. Outside of the county? A. Without regard to his being outside of the State.

Q. The property not in the State? A. I mean the property being in the State.

Q. You would not assess a resident unless the property was within the State? A. I think we would reach a very much larger per cent of personal property, to reverse it and assess the property where it is located; I am not talking about evidences of debt; I am talking about property that is property.

Q. Evidently you have not given this Massachusetts law any thought, because otherwise you would see the purpose of the question, which is this; a citizen residing in the State and having property in Connecticut, you would assess that citizen on his property no matter where it was located? A. I do not think you understand me.

Q. Suppose you are a resident of this State, Jefferson county, you are interested in property in Connecticut; would you in making a return for personal taxes when you were asked what you were worth in personalty, would you include your property outside of the State; would you enforce a law that would include such property? A. I would let that property if it is in Connecticut pay its taxes there.

Q. Suppose in Connecticut that the return is that the citizen makes a return in Jefferson county and therefore is exempt? A. The difficulty is that class of property, nine-tenth of it, does not pay anywhere.

Q. Would you follow the citizen or the property? A. I would assess the property where it is, not the citizen.

By Mr. Guenther.

Q. Suppose it is a line of steamers that do traffic on the lakes? A. That you have got to assess as corporations; I am talking about property that has a legal existence.

Q. Suppose a corporation has its main office in a small town outside of the State and it has all the protection of fire and police from that State what would you do? A. For instance, you have got H. B. Claflin; if they have a half dozen stores in different counties of the State, I would assess them in those counties wherever the property is, not in New York; in the different coun-

ties of the State; when we have been talking with local assessors many times we find here is a very large corporation or a very large business and we ask why is not that found on the assessment-roll; well, the owners have an office in New York or Boston or Philadelphia, and all that property goes scot free from taxation in consequence.

By Mr. Creamer.

Q. The law allows you to tax it as non-resident property; if it is there in Jefferson county can not the assessors assess it in Jefferson county? A. They do not do it; I am talking about personal property.

Q. Personal property as well? A. No, sir.

Q. Even a stock of goods? A. No, sir; the law says you assess personal property wherever the owner resides; I live in Jefferson county; if I am doing business in the city of New York and have got $100,000 in goods here you can not assess me here; you have got to assess me in Jefferson county; now, I would change that; I would assess that property in the county that protects that property — in the county where the business is done.

By Mr. Guenther.

Q. Is not that the law now? A. No, sir.

Q. Did not the revision of the corporation laws last year make a provision to that effect? A. I am not talking about corporations now; I am talking about individuals, partnerships.

Q. It seems to me that the property we have referred to in the first instance is clearly assessable in Jefferson county unless there is an office somewhere else. A. I would do away with that office; that is what the dodge has been, and the assessors there do not know anything of the existence of the business.

By Mr. Ahearn.

Q. Suppose that man manufactured goods up there and they were then delivered to the principal office in this city, how would you tax him? A. I would assess the average amount of goods there.

Q. In both counties? A. Not necessarily.

Q. Suppose as soon as they were manufactured they were brought here, how would you get to that? A. Here is a concern, we will say, manufacturing goods at Watertown, and they average about $20,000 worth of stock a year, or around that — average $20,000 a year and have their office here; I would assess that; if there is a riot in Jefferson county and that property is burned up, Jefferson has to pay for it, then why not receive the benefit of taxation?

By Mr. Guenther.

Q. Do you believe in taxing bonds and mortgages? A. I am very much in favor of taxing property.

Q. Both personal and real? A. Yes, sir; property.

Q. Do you believe in taxing bonds and mortgages? A. I would not say about that.

Q. What is your idea about reducing the legal rate of interest from six to five per cent? A. I am not in favor of it; I think it would drive capital out of the State.

By Mr. Gifford.

Q. Do you not consider bonds and mortgages property; you say you are in favor of assessing property? A. I have always favored assessing mortgages, but I am somewhat doubtful as to the amount; we get so little of that it has been a query to me whether the rate of interest would be cheaper; I don't think one-twentieth of them is ever reached.

Q. Your opinion is that if the legal rate of interest were reduced from six to five per cent, and a tax put upon mortgages, that the borrower would have to stand the burden of that taxation? A. Yes, sir; I think so; I am positively in favor of making some exemptions for debts upon realty that we have now on personal property, or else I would do away with the exemption of debts in both cases, which I think would be still better; I would tax property with no exemptions, the personal property the same as we do now the real estate, making no exemptions for debts.

By Mr. Creamer.

Q. Do you favor the taxing of personal property? A. All property that is property, without now having reference to evidences of debt.

Q. Do you favor continuing the deduction from personal as the law is now unless it is deducted as well from real estate? A. I would give the same exemption to each class.

Q. Or otherwise repeal the exemption for personal property? A. Yes, sir; I think there is no justice in that; you have $10,000 in mortgage and your neighbor has $10,000 on a farm; he is not exempt on his debts though he may owe three-quarters of it, but you come in for exemption so that you pay one-quarter of the tax.

Q. As regards taxing mortgages, what is your judgment? A. I have felt that unless there is some way to reach them so that it can be collected would be better not to tax them.

Q. Has the effort generally been made to reach them? A. The assessors claim so.

Q. What is your opinion? A. I think in many cases they are very diligent.

By Mr. Guenther.

Q. Is it not the most simple matter in the world to go to the register's office or county clerk's office and ascertain the amount of mortgages on record? A. Yes, sir; you loan $10,000 and you have a mortgage made, some party in New Jersey, the moment it is recorded you take an assignment of it.

Q. Would you amend the law by compelling him to pay a tax at the time it is left for record? A. If you make it so that it can be reached I say amend it, but not as it is now.

Q. If you could amend the law so as to tax bonds and mortgages you would favor it? A. Yes, sir.

Q. Who would ultimately pay that tax, the borrower or the lender? A. Without regard to that, that is a theory that the people would differ about; if there is any way of reaching mort-

gage so that a large percentage of them were taxed I would be in favor of taxing them.

Q. Taxing the mortgages? A. Yes, sir.

Q. Supposing I come to you and wanted to borrow $5,000 and there is a tax on that of say ten dollars, before you would give me that money wouldn't you have some arrangement made with your attorney to have that money paid as attorney fees or some way before you advanced the money to me? A. That might be done in some cases.

By Mr. Gifford.

Q. Would that depend largely upon the question of supply and demand in money? A. Doubtless, it would.

Q. Have you any apprehension it would have the effect of making the borrower pay any more; if it was generally understood that all parties must follow the same rule and we are to put taxes upon the mortgages, do you not suppose there would be just as many mortgages accepted as there are at the present time? A. As a borrower, I would take my chances.

Q. As an attorney, would you not include the amount of that tax in the disbursements, such as making a search, and so forth? A. That would be the case, doubtless, if money was very close; I would make the board of supervisors a board of equalization for personal property as well as realty; there is always a very gross injustice between the counties; for instance, in Albany county, banks are assessed on personal property at 100 per cent; and in Oneida county they are assessed at fifty, and in consequence the banks are paying on the same surplus twice the amount they are in Oneida county because the board can not equalize.

By Mr. Creamer.

Q. As regards the listing system I see you recommend it in a report to the Legislature? A. Yes, sir; two years ago.

Q. Was any action taken subsequently in relation to it? A. No, sir; nothing was done.

Q. No vote taken? A. Our board recommended it—the Board of State Assessors.

Q. What system did you recommend; that in vogue in any other States? A. In Pennsylvania, Massachusetts and Ohio.

Q. Ohio as well? A. Yes, sir.

Q. How has it operated? A. They claim that the law has proven satisfactory, and that there is a very much larger percentage of personal property on the assessment-roll.

Q. The system is old in Massachusetts; it is more recent in other States? A. In Massachusetts the personal property is about forty per cent of all; in the State of New York it is about ten.

Q. How as regards Pennsylvania? A. In Pennsylvania it is thirty-eight per cent.

Q. In Ohio? A. Forty-two per cent, I think.

Q. Higher in Ohio than elsewhere? A. A fraction.

Q. Illinois has it? A. I think so, and Indiana; I think they have the listing system now in a majority of the northern States.

Q. What is the system in Connecticut? A. They have a listing system there also.

Q. Do you know the percentage there? A. The percentage there is about forty-two per cent.

Q. Then evidently there is no danger of property escaping from this State to those States? A. The tax commissioners in those States say it has not operated that way; they are not conscious of having lost anything in consequence of it.

Q. What is the law in New Jersey? A. I am not certain about it.

Q. Not a listing law? A. I think not; we corresponded with the tax commissioners of some eight or ten States, and, in every instance, they claimed that the effect had been to increase the amount of personal property.

Q. In those States there does not seem to be the difficulty we have here? A. No, sir; they say not; they think that no such trouble as that would occur here.

Q. They demonstrate it is possible to enforce the tax law? A. Yes, sir.

Q. And in this State it is ten per cent while in other States it is as high as forty-two per cent? A. Yes, sir.

Q. Do you remember how stringent was this listing system proposed by the bill your board recommended; was it as inquisitorial as it is generally believed in its features as regards personal rights? A. That is not the complaint where it is in effect; there is no complaint of that kind.

Q. It is simply a blank sent out to each individual? A. Yes, sir; they list their own property.

Q. Explain that? A. Each individual taxpayer is furnished with a blank classifying different classes of property; if a farmer he puts the number of cows, horses, sheep and his farming and dairy tools; if a merchant he classifies his goods; if a broker or any individual if he has bonds, mortgages, notes and accounts, he puts them into the inventory.

Q. With an affidavit? A. Yes, sir; it has to be sworn to in all cases.

Q. Before a notary public? A. Or some person authorized to administer an oath.

Q. And that is returned to the tax office? A. Yes, sir.

Q. By mail? A. Or in some other way.

Q. A failure to comply with the notice sent you is treated how? A. Then the tax commissioners in their jurisdiction can assess; I think they have a right in many cases to double the amount that they can get hold of.

Q. And that holds as against the property? A. Yes, sir.

Q. Is there a review of the amount returned in the office; it can be reviewed? A. Yes, sir.

Q. Penalties attached for false swearing? A. Yes, sir; very severe.

Q. Severe penalties? A. Yes, sir.

Q. Have you any knowledge as to how that part of the law operates; as to whether it is necessary to punish people? A. I don't think it is so.

Q. Has there been so general as to make it something for which to fear, this listing system? A. I don't think so; I think it operates as in this State where an individual comes before the assessors and swears off his personal property sometimes; the neighbors think he has sworn pretty strong, but they can not always prove it.

Q. Your opinion concerning this 4,000,000,000 was made up in what way; you made that report, I believe, while you were a member of the board of assessors? A. Yes, sir.

Q. How did you reach that estimate? A. In relation to the equalization of realty or personal?

Q. Personal? A. From interviews and the property itself; from the banking and corporate property of the State; the lists of mortgages in the different counties we found as being recorded, and various ways.

Q. That does not include household furniture or anything of that sort? A. No, sir; we do not include anything that would be exempt from execution.

Q. That is a fair estimate in your judgment as to the personal property in this State now exempt that should be assessed? A. Yes, sir.

Q. What proportion of that 4,000,000,000 would you estimate would apply to New York county? A. Well, I should say sixty per cent of it, or sixty-five.

Q That would be about 2,500,000,000? A. Yes, sir.

By Mr. Guenther.

Q. Do you claim that amount of personal property now escapes taxation? A. Yes, sir.

Q. Is it not a fact that a considerable amount of that is already exempt from taxation as United States bonds, etc.? A. There is a very little proportion of United States bonds in existence now; another thing I would recommend particularly, and that is, I would require that the true consideration be expressed in every deed for the conveyance of real estate and the grantor and grantee to swear to it; we come here to New York and make a list of the

sales, eight or ten or twelve thousand sales, and the claim at once is that the true consideration is not in the deed; but if you make it a misdemeanor and require the parties under the penalty of the law, and a fine to place the correct value there, then when you have got the sales list made up it is some use for an equalization table.

Q. As regards the inheritance tax, have you given that any attention — the operation of the present inheritance tax? A. I think that law is a good law; there is one feature that I object to, and that is paying the county treasurer five per cent which they receive to-day for doing nothing; the surrogate does the work and they get the five per cent; in some of those large counties they double their compensation.

Q. Isn't that compensation for their responsibility? A. There is not a national bank in the State of New York that would not be glad to do it for one-eighth of one per cent — it is an outrage.

Q Do you think the fixed amount of $10,000 is a correct amount, about? A. I would not make it lower than that.

Q. Would you make it higher? A. You tax all you can get now; I mean you do not tax small estates in a direct inheritance tax.

Q. All above $10,000; do you think that is a fair sum to exempt, or would you exempt more? A. No; I think that is about right.

Q. Now, as regards the collateral inheritance tax, $500 I believe is the amount? A. I think that is about right.

Q. You would not make any change? A. No, sir.

Q. How about this grading of the direct inheritance tax above a certain sum, increasing it $100,000 over $500,000 and over $1,000,000? A. From my own observation I would not recommend any changes in that.

By the Chairman.

Q. How long were you State assessor? A. Something over nine years.

Q. Will you tell the committee something of the method of the work of your board; do you divide the work or work together?

A. We usually went together in visiting the counties; that was our general rule.

Q. Now, what proportionate part of the year did you spend in visiting the counties? A. We usually commenced our work of visiting the counties about the middle of April, and took the most of the time until October or September.

Q. How many days did you sit in each county? A. We were in each county with the board one day, but we usually spent a good deal more time in each county outside of that.

Q. What was that time devoted to? A. Outside of the meeting with the board?

Q. Yes, sir? A. We would see individuals and see property itself, and gather such information as we could.

Q. What was the purpose of that inquiry? A. It was to establish the fact whether property was increasing in value or decreasing; whether, for instance, in a village, if we found a great many vacant stores and houses, and former factories shut up, we could see that property in that town was worthless; and if we found all the villages of the county were going backwards; if we found farm property depreciating; if we found the fences tumbling down, and in a poor state of cultivation, the farmer was going to the wall.

Q. Would not the fact that the fences were tumbling down be an evidence of a lack of industry on the part of the farmer? A. That might be in individual cases, but the property was worth less anyway; if the fences were up, and the houses painted and shade trees set out, and evidences of thrift, we found that property was worth more.

Q. In traveling around in that way, did you make any comparison between the reports or information that you had of that property and what you found it to be? A. Yes, sir.

Q. What was the uniform finding as to the actual value compared with the valuation fixed by the assessors? A. In many cases we found the assessors candid and truthful, and in other cases not so much so.

Q. What was about the average proportion of the value for

assessment purposes compared with the true value of the land itself? A. We found the average property of the State of New York assessed at sixty-five per cent of its full value.

Q. Was the basis of valuation uniform, or was it lower in one place than another? A. Why certainly; you are from Westchester; in Westchester county, we count that one of the poorest assessed counties in the State, and we equalize it accordingly.

Q. They assess on what basis? A. A very low basis; in the city of Albany they are assessing property all it is worth; some cases more than it is worth.

Q. How did the rate of taxation in Westchester county compare with the others even on its low valuation that you speak of? A. Our reports as they are published each year have the full amount of State, county and local tax paid by every town in the State, so that it is a clerical matter that can be readily got at by your board quicker than I can tell you by memory.

Q. You assume, of course, that Westchester county is as expensive to run as any other? A. Yes, sir.

Q. And if the basis of valuation is so low the rate must be consequently high? A. Certainly it is; so far as the State taxes are concerned it pays a higher rate of tax just as much as the State Assessors put on and take off some other that is assessed too high.

Q. When you find that a county has used a low basis of valuation, when you come to make your equalization, you increase it without regard to what they have done? A. Yes, sir; we bring it to the average of full value.

Q. The rate would be the same? A. Yes, sir; the rate would be the same on the full value, but not on the assessed value; it is the same on the full value all over the State.

Q. Now, I see that you join in a recommendation to adopt the listing system? A. Yes, sir.

Q. Will you kindly tell the committee what investigation you made before making that recommendation? A. We wrote to the tax commissioners of Pennsylvania, Ohio, Indiana, Massachusetts and the different States, or quite a number of them, where

that system was prevailing, asking them for their methods, and also asking as to the effect it had upon increasing the amount of personal property, and the general satisfaction the law had given.

Q. And the only information you had come from assessing officers? A. Largely that; of course, where we had an acquaintance with the individuals in different States we interrogated them also.

Q. You did not go into the several States to make inquiries? A. No, sir; we wrote to individual acquaintances that we had in many of the States; some of them practical men; I know I wrote several letters to some in Ohio and some in Massachusetts.

By Mr. Creamer.

Q. Where did you get your figures as to the percentage? A. From the State officers; in nearly every case they sent us their pamphlets showing the percentages, etc.

By the Chairman.

Q. Now, your experience was that the proportion of personal property since the adoption of the listing system in those several States had increased materially? A. That was the invariable report in every case.

Q. Now, the assessment of personal property was pretty general in those States? A. It was increased largely after the law went into effect.

Q. For instance, in the State of Massachusetts; they have a listing system, I think, that requires a return of all kinds of personal property, including farm stock? A. Yes, sir.

Q. And implements? A. Yes, sir.

Q. Do you mean in recommending the adoption of a listing system in this State to favor the assessment of farm stock and farm implements, for general government purposes? A. For State purposes; yes, sir; as I said in the beginning I am in favor of assessing all property in the State that requires the protection of the government.

Q. You would not exempt from any kind of taxation of personal property? A. I am not prepared to say as to savings banks or life insurance companies.

Q. I speak now particularly with a view to the interests of the rural parts of the State — the agricultural parts of the State; are you in favor of including the stock and implements of the farmer? A. Yes, sir.

Q. For assessment purposes? A. Yes, sir.

Q. You think the farmers generally would be satisfied with that? A. I certainly think they would if all the property of the State is assessed, because the little fraction of one per cent that the farmers would be increased — look at the millions now going scot free; you couldn't find a farmer with any intelligence that couldn't see that.

Q. All of the witnesses, I think, who have preceded you have been in favor of divorcing the collection of taxes for the expenses of the State government and for local, town and county purposes; what have you to say to that proposition? A. I think it would be well if the State tax was wholly collected independently and outside of the local taxes.

Q. In other words, they favor relieving real estate altogether from the tax for the support of the general state government; what do you say to that? A. I think that the sooner it can be done the better; there would be no need of any State board of equalization, or any friction between the counties; each county would take care of itself, and there would be no feeling that one county was equalized too high or too low.

Q. If that system was adopted that would have something to do with the general proposition which you make about the assessment of personal property, would it not? A. Then the supposition that I make would be a good one, but it would only affect county and town taxes; it would not affect the State taxes.

Q. If means could be devised by legislation whereby the expenses of the general government can be borne by a general tax on other property than real estate then you would be in favor of leaving it to the local authorities to determine what property they should

assess for local purposes? A. No, sir; I would not go so far as that; I would have a general law that would apply to the whole State; I would not make a law that would apply to one county; I don't think we have boards of supervisors intelligent enough to draft such laws.

Q. But you can understand that what might be good for Jefferson county might not be good for New York county. A. So far as New York is concerned it is very true; if New York wanted something for the city itself that did not affect any other interests, I would not interfere with it.

Q. Suppose that the authorities of the city of New York should want to open a field that would invite capital and that they should conclude to relieve personal property altogether in the county of New York — that it would be the best means of inviting that capital, would you be in favor of vesting the local authorities with that power? A. Certainly, if the people wanted it and if they paid their taxes I do not see why outsiders should interfere.

Q. Assuming that the State tax is provided in some other way? A. Yes, sir.

Q. You think it would be well to leave to the county of New York the right to determine by what means it can raise its tax for the expense of local government; why would it not be good to leave it to the other thirty-five counties of the State? A. Because largely the same law would not apply, New York is a commercial city; its interests are different from any other in the State; there is not but one New York in the United States; and what might be a good thing hereafter it should be determined by its citizens would not apply at all to the rural counties.

Q. You think that the average local legislative body of the county is not as competent as the local Legislature of the county of New York to take care of their own interests? A. I would not recommend to have every local county legislature tinkering every year with the subject; I would not give him jurisdiction to change the method of assessment and taxation ; I think we would be in confusion all the time.

Q. Then you think that while it might be safe to extend to New York the right of local self-government on the question of taxation it would not be well to extend it to the other counties of the State? A. I don't think it would.

Q. How would it in your judgment apply to the other counties containing larger cities; Kings county, Erie county, you own county? A. The only one county in the State aside from New York that can be considered a commercial city is Buffalo; Brooklyn is not a commercial city except as tributary to New York, and the same laws that would be fairly applicable might not do in the assessment of the country.

Q. Don't you find that after conferring from year to year with the local body of Westchester county that they have a very superior class of men in that board; I mean, as a whole, not individually? A. I should say as a whole they average with the other counties of the State.

Q. The people of the county having faith in the integrity and good judgment of that local legislative body, why should not they be entrusted to do business for the best interests of the constituent? A. I do not think that at present they have elected men that are qualified; there are many bright men in the boards of supervisors; some of them quite equal to the men that meet in the Assembly or Senate, but they are not all of that character; the average in the State Legislature is above the average of the county legislatures; in Chautauqua county we find men in the county boards that had formerly served the State in the Legislature, and also St. Lawrence county.

Q. In a general way, what modification would you suggest in the existing law other than you have suggested, which would be for the better interests of the agricultural, manufacturing, commercial, labor, banking or other interests of the State? A. I would recommend that the property of estates should be assessed where the property exists — where the decedent dies; I would not allow an executor living in another town, county or possibly outside of the State, to take that property away with him.

Q. You would tax the property where it is? A. Yes, sir; take personal property where it is; you can not say where it is, but I would let that property be assessed where the decedent dies.

Q. What do you say in connection with the taxation of bonds and mortgages? A. I have already said that unless there can be some method devised for reaching them all I am in favor of not taxing any; unless we can have better laws than we have now; I don't think we get five per cent of them now.

Q. Would you be in favor of taxing the owner of the fee as now upon the full value without regard to the mortgage, and then in addition taxing the holder of the mortgage? A. Of course.

Q. Wouldn't that be double taxation? A. I know it is a very common saying that is double taxation.

Q. Do you think it would be? A. I think it is a relief to the owner of the realty if he is assessed at 100 per cent, and an individual holds a mortgage for half of it; if that mortgage could be assessed, the owner pays so much less taxes.

Q. You know that under the present system in valuing realty, no allowance is made for an incumbrance? A. No, sir; they have no right to.

Q. Suppose we go on and assess the realty without regard to the mortgage, and that in addition to that, having assessed the land for a full value, you also assess the owner of the mortgage, his capital being invested in this piece of property which is already assessed for its full and true value, do you not consider that double taxation? A. Yes, sir; but that would apply to any evidence of debt we have got just the same.

Q. But the debtor gets no benefit under the law as it stands; now, would you tax both the debtor and the creditor? A. He does get the benefit if the mortgages are all assessed, because the rate of taxation is reduced just as much as you assess property.

Q. Would not that be taxing capital twice? A. But you reduce your rate accordingly.

Q. My question is, do you not consider that would be taxing capital twice? A. Yes and no both; in one of our reports I

think we recommended to rebate in the payment of interest; for instance, I buy a farm worth $10,000, and you have got a mortgage on it of $5,000, when I pay the interest, then I am allowed as a rebate to charge against the holder of the mortgage one-half of the tax that I pay.

By Mr. Creamer.

Q. Providing he is taxed on the mortgage? A. Then he would not be taxed at all; then do away with the tax on the mortgage, but let the holder of the mortgage consent to reduce his interest; let that be a rebate for the proportion that that mortgage bears to the farm; whatever the value of the mortgage is to the whole value that to be rebated in payment of interest.

By the Chairman.

Q. In the county of New York there are a large number of loans on real estate where the rate of interest is as low as three and a half and four per cent; now the rate of taxation in the county of New York this year I believe is 1.85; now, what effect do you think that would have? A. That is 1.85 upon the assessed value.

Q. But the loan there can be no question if you assess the mortgage as to the value; it would be assessed upon its face value. A. Certainly.

Q. Then a mortgage that paid three and a half or four per cent if you assess it on its full value and the rate was 1.85 what effect do you think that would have upon the outstanding mortgages that have matured; for instance, do you think that the mortgagee would be apt to allow the loan to remain or call it in? A. Call it in if he could do better with the money; if he could find a better place for it he would do that anyway.

Q. Taking it at four per cent under the circumstances I have spoken of, his interest on his money would be cut down from four to two fifteen, would you consider that a fair yield for his investment? A. No; I don't know as it would operate that way really.

Q. Why not; he gets four per cent interest on his money, and the county of New York requires him to pay a tax of 1.85, why would not that increase the earnings of his mortgage to 2.15 per cent? A. It would unless you so largely increase the property on the assessment-roll that you made a low rate; if the rate was made lower it would not be that way; the tax would be lower if you increase the amount on your tax roll; you have got the same amount to raise, but you have double the amount on your assessment-roll.

Q. But I speak now of a county where the tax rate is exceptionally low — the county of New York; now, we will assume that it is the county of Kings, where the tax rate is very much higher, and the rate of interest over there we will say is four and a half, and tax a mortgage for its full amount, what effect would that have on the investment? A. If the mortgage is not paying any tax now — under the present law the mortgage should be assessed; the law is not changed; all the difference is you are proposing a law to impose a tax; the present law calls for the assessment of that mortgage.

Q. I am trying to get your views on the wisdom of either continuing the law to assess mortgages or to so fix the law that they will not be assessed at all. A. All the difference is the present law assesses those mortgages every dollar, but the assessors can not find the mortgages; this is a case where the mortgagor knows where his best interest is.

Q. Suppose the Legislature could devise a means that would make it definite and certain to the assessors as to who were the owners and holders of mortgages, what do you say then about the wisdom of assessing them for their full and true value at the same rate as real estate is assessed? A. If there can be any way devised to locate these mortgages then I say assess all the property, both real and personal.

Q. Notwithstanding the fact that real estate is assessed to its full value you would also assess the mortgage? A. Yes, sir; you simply let each man pay his proportion; if you doubled the property on the assessment-roll you reduce the rate one-half; the county and State won't take any more when each man is paying his full proportion of it.

By Mr. Stranahan.

Q. It is more equitably distributed? A. Yes, sir; that is all.

By the Chairman.

Q. As a matter of fact, now, does not the owner of the fee pay the tax upon the money invested in his property whether by himself or the mortgagee? A. I don't think he does in all cases.

Q. We will assume the assessors make oath that they have assessed every piece of property contained in their assessment-roll for its full or true value — whether they swear to the truth or not I am not responsible; we will assume they tell the truth; I pick out a piece of property valued at $50,000, which has $25,000 mortgage on it; it is assessed at $50,000, and the owner of the fee pays a tax of $50,000; I ask you whether he is not paying one tax upon all the money invested in that realty? A. Yes, sir; he pays and the mortgagor pays what is invested in the mortgage.

Q. Does not the owner of the fee pay upon the full and true value of that land, and all the money invested in it? A. Yes, sir.

Q. Now, suppose you also tax the man who gave him the $25,000 on bond and mortgage; do you not consider that interest is being taxed twice? A. The same indiivdual is not paying it.

Q. But isn't it two taxes upon the same capital? A. No, sir; I do not look upon it in that way; it is a very common way of reasoning, I know.

Q. The owner of the fee only has a $25,000 interest in it? A. That is all; if you can devise a way of reaching the mortgage you might assess the owner his equity in it; that, of course, would get at it exact.

Q. I want to get at your views as to the wisdom of a policy that would assess the owner of a fee to the extent of his equity and then levy a tax upon the mortgagee to the extent of his interest? A. If you can devise any law to reach the mortgages I would say do it.

Q. Do you think that would be just? A. Yes, sir.

By Mr. Creamer.

Q. If the $2,600,000,000 were placed on the tax-books the rate of per cent, instead of being 1.85, would be something like two-thirds of one per cent; that would be deducted from the interest of the mortgage? A. That is right.

Q. Therefore, there would not be anything more except an equality of taxation? A. That is right; you will find in many of the rural towns, when you come to school purposes, the mortgagee does not live in the town, and you would have but very little property to assess in some cases.

Q. But on your theory we tax the property where we find it? A. I would not favor taxing evidences of debt wherever you found them? A. I would assess evidences of debt where the owner resides and property wherever it is located.

Q. Wouldn't it be just as equitable to assess evidences of debt where they exist? A. Not at all; they do not require the protection of government; if I have got a mortgage in Jefferson county collect that in Jefferson county; in the Supreme Court, can sue a man that lives in the adjoining county.

By Mr. Guenther.

Q. You say evidences of debt require no protection? A. Not in the way that it is liable to be burned or destroyed; it cost Alleghany county and Pittsburgh $2,000,000; if it was in this city the county would have to pay the loss.

Q. How about the holder of a mortgagor living in another State? A. I guess you can not reach them.

Q. Don't you think it would be as well to so amend the law that he might be reached if mortgages are to be taxed? A. An international policy, perhaps, would conflict there; if we have a law in the statute-books that assesses all western mortgages — if we assume to do that in the State of New York — may be we have got to allow some privileges to other States.

Q. That is the same theory you advanced in the first place as to taxing property wherever it exists? A. I make a difference

between evidences of debt and property — property that requires the protection of government is different.

By Mr. Creamer.

Q. I ask with regard to your observation as to the rate generally in agricultural counties; what is generally the rate on $100? A. The rate, of course, in rural counties varies, but as a rule it is very much less; in the town where I live the tax rate is sixty-four hundredths.

Q. The assessed valuation? A. The tax rate.

Q. Sixty-four hundredths? A. Sixty-four cents on $100 of valuation; in New York it is one dollar and eighty-five, and in the town where I live it is sixty-four hundredths.

Q. Is that high? A. It is about the average.

Q. In agricultural towns? A. Yes, sir; it is a small village.

Q. That is a fair criterion? A. About the average.

Q. It will average about one-third of what ours is? A. Yes, sir; we have no privileges to be taxed for; a farming town has no sidewalks or gas or lights in the street, and all those things that make your tax heavy they do not have.

By the Chairman.

Q. Do you know what the average rate of taxation is on $1,000 in St. Lawrence county? A. I could hardly tell you; I should think it would average about seventy-five cents to the dollar.

Q. That would be seven dollars and fifty cents on a thousand? A. Yes, sir.

Q. How does it average in Jefferson county? A. About that; in the town where I live it is sixty-four cents this year; that is about the average; the city of Watertown would be higher; I think in Watertown it is nearly two per cent.

Q. Have you ever made any calculation as to the proportion of State tax that is paid by the farmers of the State — the total? A. Our reports will show that; we print that each year in our reports.

Q. I think I have heard it asserted that the agricultural lands in the State paid about eight and a half per cent of the total tax? A. I should think more than that; on the valuation of course every $100 of the State tax on the actual valuation is the same whether it is found in the rural towns or the city of New York.

Q. One of the purposes of this inquiry is to see what means we can devise to relieve the agricultural interests of the State from their present taxation burdens; now, if they only pay eight and one-half per cent or about that, of the total expense of the State government; now, do you see any way by which it could be decreased other than to drop the system of taxing real estate for general State purposes? A. The different ways that have been suggested I think would do; anything by which you would increase the amount of personal property in the State relieves realty to that extent.

Q. Does it not appear to you that the burdens that fall upon the agricultural counties of the State are largely due to the expense of local government? A. That is very true.

Q. The proportion of the total State tax paid by those interests being very small? A. It is not only farmers, but in every village and every city you will find mechanics and thrifty individuals that are trying to pay for a house and lot; the burden on that individual is just as burdensome as to the farmer; it is to the real estate of the country.

Q. Do you remember approximately the proportion of the total State tax paid by the counties of New York, Kings, Erie and Westchester? A. The county of New York pays about forty-five per cent of the entire State tax.

Q. I am advised that the four counties I have named pay about seventy-five per cent of the total State tax? A. New York and Kings pay fifty-six per cent of the entire State tax.

Q. And Erie and Westchester, I understand, make up the difference between that and what I have said? A. You will find with the comptroller last year that our report shows the full value of every county and the amount paid.

Q. My purpose in making this inquiry is with a view of ascertaining whether the burdens which are oppressing the rural counties of the State are not the result of local government rather than the expense of the State government; now, if the burden of taxation of the rural counties is largely owing to the expense of local government, how can the Legislature relieve them? A. If you get all the personal property.

Q. If you reach the personal property in those rural counties? A. That is it.

Q. Is not the law such to-day that they can reach the bulk of the personal property in those counties if they want to? A. They fail to do it.

Q. Is not that rather the fault in the execution of the law than in the law itself? A. I think the assessment laws we have got now — we have had not had any practical change for sixty years; I think the wisdom of those days should make some improvement.

Q. For instance, in the city of Watertown have not the local assessors the right to assess personal property — money invested in business — stock? A. The difficulty has been to find it; we want more thorough laws to give better opportunities to find them.

Q. Supposing you knew a man in the city of Watertown that had $25,000 invested in business; he could be assessed? A. No, sir; he would claim to be in debt.

Q. Then you think the difficulty now is the right of offseting by indebtedness? A. Yes, sir.

Q. You are in favor of wiping that out? A. Yes, sir; that is the most radical change I would make.

The committee then went into executive session.

On motion the committee adjourned to meet on Tuesday, December 27, 1892, at 2 p. m., same place.

Superior Court, Part 2.

New York, December 27, 1892.

The committee met pursuant to adjournment.

Alexander E. Orr, called as a witness, being duly sworn, testified as follows:

By Mr. Creamer.

Q. Have you read the resolution authorizing this committee to make inquiry on certain points? A. I can not say that I read it all; I looked over it.

Q. You understand principally the object of the inquiry here to-day? A. Yes, sir.

Q. You have been in business in this city for many years past? A. I have.

Q. What is your judgment concerning the taxation of personal property as affecting the progress of business of our State during the last ten years? A. The taxation of personal property has been very light; my opinion is that if it had been enforced it would have been exceedingly disastrous; it would have driven capital away from the State.

Q. What character of capital? A. Capital not permanently located; capital that was movable.

Q. What would you describe as movable property that would suffer in case of the tax being enforced? A. What you term the personal property of citizens, money, securities, mortgages, the evidences of debt.

Q. As regards corporations? A. No; corporations receiving their authority from the State that have a location must make returns.

Q. Do many corporations change their location in your experience on account of the tax laws? A. No; I don't think they do, but I do believe that because of the tax laws a great many corporations that would have been born in New York State, as it were, have received their charters from other States.

Q. And continued to do business in New York? A. And do business in New York.

Q. Outside of the reduction in the amount of the fee charged for filing articles of incorporation; that is an advantage, I believe; it is much less in the State of New Jersey than in this State; what advantages have corporations in other States; have you any knowledge on that subject? A. I have not knowledge enough to express an opinion.

Q. Take a case, for instance, that has been quoted here (and there is now nothing private about it) the case of Mr. Claflin, though the Claflin company is organized under the laws of New Jersey, still the corporation pays on a far greater sum of personal tax this year than it did previous to being incorporated in New Jersey; there must be some advantage therefor; there must be something; possibly it would be well to look to the firm for information, unless you have some knowledge as to the advantages obtained? A. I am not a stockholder of that corporation, and never looked into it, and therefore don't know.

Q. We only mention that as one of no doubt many; it therefore could not be on account of the taxation, because they pay a larger tax than before? A. I think the inducement was to incorporate because of the reduction in the incorporation fee that was charged.

Q. That is but bagatelle in comparison with the increase in the amount of tax that they pay on their personal property; the amount that they pay on the one-eighth of one per cent would be a trifle in comparison with the large increase in the amount that is agreed upon by their own consent at our tax office here; I simply call your attention as a business man to that state of things, Mr. Orr; now, you think that individuals, as a general thing, evade the tax laws on personal property by taking up residence in other States; that is, that the tax laws have affected people to that extent? A. No; I can not say that; I think that is as I said before; if the tax upon personal property was enforced it would have that effect, but because it is known that effect would be the result, personal property has not been taxed.

Q. Then the fault is not so much in the law as it is in the non-enforcement of the law in not having personal taxes assessed and collected? A. I think the fault lies entirely in the law, and the remedy has been in the non-enforcement.

Q. What is your judgment as regards having a similar tax law to that prevailing in other States on personal property; say five-tenths of one per cent? A. I believe this, that in the first place, if the tax was to be enforced, those persons who were conscientious would absolutely leave the city or State and select a different location; those persons who are not conscientious would evade it; I think if you could arrive at a system of taxation — I mean personal taxation — which would prevent a man who will evade through misrepresentation, from taking that position, because of the moderate rate of taxation imposed, and the man who is conscientious and will not allow himself to evade it from that standpoint will prevent him from going away, that then you will have reached a point when you will derive a great deal more than from the taxes as now collected, and it seems to me you would avoid the evil influences of what we term now the tax upon personal property — the possible evil influences.

Q. As regards a tax on mortgages, Mr. Orr, generally speaking, in making up the assets of large corporations; do you believe in applying similar tax to such capital, as is applied in other large States? A. I don't know what the tax is in other large States.

Q. About one-half of one per cent? A. I am absolutely opposed to taxing mortgages; I believe it would be a very disastrous thing to insist upon the assessment of mortgages.

Q. It is done in other States; some States take much more than one-half of one per cent; in some States it is the full amount of the rate of taxes. A. I look upon the taxation of a mortgage simply to be an additional tax on the real estate.

Q. In what way? A. That the lender of the money would insist upon a rate which would pay the ordinary rate of interest and the additional tax he would have to pay upon the mortgage.

Q. Has that been the experience as far as your knowledge goes with the lenders of money in States like Pennsylvania and Mass-

achusetts? A. I have never loaned money there so I could not tell.

Q. Have you any knowledge of the transfers in other States where there is such a law? A. No, sir; I would like to go a little further, if you would allow me; I think that the absolute elimination of the law whereby mortgages could be taxed would ultimately result in a less rate of interest to the mortgagor.

Q. Why? A. There is an uncertainty existing, and there are persons who are sometimes taxed upon mortgages, and especially estates; now, if it is absolutely known that that was eliminated, instead of taking into consideration the rate of interest upon money loaned upon real estate with the possibility of the tax upon the mortgage, the money would be forthcoming at a lower rate of interest.

Q. But if the mortgage is taxed even one-half of one per cent that is a relief to the mortgagor in making up the tax roll; of course, if the mortgagee is paying part of the tax why the mortgagor is not paying. A. If you will establish it absolutely that the rate of personal tax upon the mortgage can not be more than one-half of one per cent, it would have its influence to that effect in the direction which I state, of reducing the absolute rate of interest upon the mortgage.

Q. If they understood what it was to be, one-half of one per cent, would that be a better state of things than to have an uncertainty as regards the 1.85 that prevails in this city? A. There is no doubt of it; I think so.

Q. You think so? A. There is a great deal of sentiment about this question of taxation of real estate; if I make an investment in a piece of property I take into account, first, what it is going to pay me; now, as one of the charges I take the tax upon the property; I eliminate that from the net result; I take also the insurance upon the property, and I eliminate that from the net result; I take the expenses of keeping it in repair, and then I find what the income is and call that the net result; if you do away with taxes upon real estate, you simply give me as against the man that sold it to me the advantage between non-taxes and

taxes; that when you talk about it not being fair to tax real estate and not personal property, I say that is entirely wrong.

Q. The existing state of things is, under the law, that when you purchase the property you expect to pay your share in prosperity and adversity as well, as regards the general condition of things, with all other citizens; that is, the owner of real estate; the law says that he is no more at a disadvantage in the case of panic than the holder of a mortgage. A. But the holder of the mortgage has already invested in that real estate, and already paid taxes.

Q. It is supposed to pay taxes but it does not. A. The real estate does.

Q. The argument that is used that it would be double taxation, has that any weight in your mind? A. Yes, sir; I chance to be president of a savings bank; I think to-day if you tax a mortgage upon real estate; we have loaned on a very large portion — you know the law allows us to loan sixty-five per cent of the amount of our deposit upon real estate; now, the result of that is that in those towns here real estate derives the benefit of the money loaned, and it holds to creditors a portion of its value; now, if you tax a mortgage — I merely make this as an expression of what I believe would be the result —

Q. Do you mean as regards savings banks? A. As to all mortgages.

Q. Because we disclaim at once any desire to interfere with savings banks; Mr. Chairman, do I represent the committee right on this?

The Chairman.— Yes, sir; I believe so.

Mr. Quigley.— A question may arise as to the unclaimed accumulations.

The Chairman.— I think the counsel is quite right, but I don't know as there is any objection to Mr. Orr's view as to that.

The witness.— My belief is that if you enforce a tax upon mortgages that you would have a universal calling in of loans and the immediate effect of that would be upon real estate, and an immediate depreciation of value of, I would say, at a rough guess,

from twenty-five to thirty per cent; I really think it would exceed that.

Q. What becomes of all these profits that savings banks accumulate from interest on money loaned? A. As savings banks, you know, from the wisdom on the part of the Legislature, are surrounded by almost absolute protection when the trustees are honest men; the mortgage is really the element which enables us to pay to the savings bank depositors a reasonable amount upon the amount of their deposit; in the first place, we are not allowed to take any of the bonds of corporations or of cities outside of the State of New York; we are confined to the city of New York and the cities of the State of New York, the State of New York and other States, and United States bonds, and in addition to that we may invest in bond and mortgage in the State of New York; now, the volume of money in the savings banks, and perhaps, gentlemen, you don't know this — there is a savings bank account to represent every five persons in the State, one savings bank account for every five, and in the city of New York one for every two and a half; in Brooklyn it is about three — one in every three; of course, there are a great many duplicates in this case, but I give you that to show you the volume of persons interested in the outcome of the savings banks; now, the city of New York is able to borrow its money, and mainly because the savings banks have so much money in them — it can borrow money from two and a half to three per cent, and the State of New York can borrow it at a little less than that if it needs it, and almost all the towns and cities in the State of New York are able to borrow money at the same rate — that money which we invest in those bonds in the cities — evidences of debt pay only what we receive for the money that we loan upon bond and mortgage, plus what the taxes would be in the place where the savings bank is located; the average of the savings bank bond and mortgage loan is about four and a half per cent; the bonds that we are obliged to buy under the laws in the State of New York will not average more than three per cent, perhaps a little less than three per cent; so you see the

difference is represented really by what the nominal tax would be between the two, so that I hold that the city of New York, the city of Brooklyn, Buffalo and the city of Rochester are absolutely borrowing their money free of taxes from the savings institutions.

Q. As I understand it, savings banks do a great deal of loaning on bond and mortgage? A. Yes, sir; we are allowed to loan sixty-five per cent.

Q. On your deposits? A. Yes, sir.

Q. On that sixty-five per cent of the deposits you receive at least five per cent interest? A. No, sir.

Q. I mean to say that savings banks loan to individuals at four and a half per cent? A. I don't think the average of savings banks loans would be over that.

Q. I mean this sixty-five per cent that is loaned to individuals is not that at the rate of five per cent? A. No, sir; sometimes below four and a half, and a good deal below four.

Q. Do you mean to say that an individual can borrow of a savings bank at the rate of four and a half per cent? A. I think so.

Q. Do you know of any such? A. Yes, sir; a great majority in our banks are such; we are debarred under the laws of the State from loaning money upon real estate that is not double the value of the property loaned upon, and that value must be certified by two of the trustees who have made a personal examination of it; therefore those are what you call very choice loans; the life insurance companies, fire insurance companies and trustees of estates are allowed to loan what they consider is a fair, reasonable amount, and you will find that those loans generally run from sixty to sixty-five per cent of the value, and parties will pay a higher rate of interest for loans of that character than for a savings bank loan, which must be of necessity a very choice loan.

Q. As I understand it, sixty-five per cent of your deposits can be loaned by the bank? A. Yes, sir.

Q. And thirty-five per cent must be kept by the bank for the purposes of business? A. We can not have more than ten per cent of our deposits in money on hand, but the balance must be invested in such securities as the law allows.

Q. Sixty-five per cent of your deposits would be loaned on real estate, and twenty-five per cent on securities that were available at any time? A. Yes, sir.

Q. And ten per cent would be in cash? A. We are not compelled to keep ten per cent in cash, but we can not keep more than that.

Q. Do you do that? A. I think from five to ten per cent.

Q. What would be the average of the earning power of the money of a savings bank? A. If you will look at the returns you will find that the amounts paid by the savings banks will average about three and a half per cent.

Q. I don't mean paid to the depositors; I mean what is the average per cent on the moneys in the hands of the bank? A. I don't think it would be more than four per cent, and I think in a great many less than that.

Q. They don't pay more than three and a half per cent in any? A. Some three and some three and a half, and the old banks, where they have a large accumulation, some pay four.

Q. Do you know whether or not they loan the accumulations on deposits which have been unclaimed? A. I think they are very light; I think there is a mistaken idea about that.

Q. If there is such a fund, they are loaned with the other funds? A. Yes, sir; and the surplus — all the savings banks aim to have a surplus — we ought to have that for the protection of the savings with us, but after that arrives at fifteen per cent of the deposits, it must be distributed among the depositors.

Q. By what means? A. Increased interest; we rather prefer it in a yearly distribution, so that if one year we do not make quite so much as another, the interest rate does not vary.

Q. Is there any power under the law for any one to find out the condition of those accumulations in any of those banks? A.

Yes, sir; we have to publish at each of our annual returns to the department a statement of the number of accounts that have not had any deposits or withdrawals during the last twenty years.

Q. Do you give the amount of those? A. Yes, sir.

Q. How often are those statements made? A. Every year.

Q. Is that compulsory by any law now on the books? A. We understand it to be.

Q. Is that sworn to by any officer of the bank? A. Yes, sir; the bank officers — the president and the treasurer, I think, swear to it.

Q. From what fund do savings banks build those enormous expensive buildings that they build frequently for their own purposes? A. I don't think they build very enormous ones; the bank that I am in, we have between twelve and thirteen millions on deposit, and we estimate the value of our building $75,000; I think they are all built out of what they term the surplus.

By the Chairman.

Q. That is as good an investment as it has? A. I think it is; that investment must be returned and it is returned each year to the department — a statement of it.

By Mr. Quigley.

Q. Do you not know of your own knowledge where some banks have built extravagantly in that way? A. If a bank had a very large surplus and was doing a very large business, I think it could afford to build a large building; therefore, the amount would depend something on the size of the bank; I should say, if you take the Bowery, or Bleecker street, or the Greenwich bank, or any of those old ones, they could afford to build a better building than a newer bank with smaller surplus.

Q. That surplus put in the building really earns no money for the depositor? A. Yes, sir; some of them do not, but others do.

Q. From what source? A. As to the bank that I am in, we have surplus rooms rented that give an income in the same way as those banks do on deposit on discount.

By the Chairman.

Q. Then, you do not have to pay any rent? A. No, sir; now, take that new building of the Greenwich, which is a very serviceable building — I suppose, if they had to pay rent and get the same accommodations, it would cost them a good percentage on the cost of the outlay.

By Mr. Quigley.

Q. What is the name of this one right opposite the court-house? A. That is the Emigrant; a very fine bank.

Q. They have a very fine building? A. Yes, sir; and I suppose a very good return for the investment.

Q. Have you any idea how much that cost? A. No, sir; the return would show it.

By the Chairman.

Q. The bank only occupies one floor? A. Yes, sir; I think so.

Q. And rents out the rest at a high rate to the tenants above? A. I think so.

By Mr. Quigley.

Q. Did you ever see any report from the Emigrant bank of the accumulation from unclaimed deposits? A. I am in the habit of looking over them all, but I can not remember any particular item of that one; I presume they make the same report that we are all required to.

By Mr. Creamer.

Q. About buildings, would not that be better illustrated by reference to the Dry Dock Savings Bank which has been so much talked of for a number of years past? A. I would like to say this, that I look upon the time given to the operation of the savings bank as the most philanthropic that I give; I also look further upon the character of the savings bank depositor as one that can not be argued with much; if he wants his money you have got to give it to him, and you must keep your bank in a

condition that commands his respect; I presume that is very often taken into consideration in investing in buildings; I do not suppose there are financial institutions anywhere in the world that will compare with the savings banks of the State of New York; I think they are sound to the core, and I think it is mainly owing to the safeguard thrown around them.

By Mr. Ahearn.

Q. Do you believe in the bill introduced last year giving them power to extend investments to other States? A. I think so, simply in the interest of the depositor.

By Mr. Quigley.

Q. Would you allow them to speculate outside? A. No, sir; that was a law to allow us to invest five per cent of the amount of deposits, for instance, in the bonds of Chicago, Boston or Philadelphia; it was growing this way that the United States bonds are disappearing, and we have more money than is wanted within the State, and we wanted authority to go outside of the State and make some investments, equally on a par with our own.

By Mr. Creamer.

Q. I would like to ask what can you suggest that will increase the dividends to the depositors in savings banks; there has been a complaint for some years past as to the amount of interest you allow depositors. A. The passage of the bill just alluded to I think would help the interest earning power of the banks without in any way interfering with their conservativeness.

By the Chairman.

Q. In other words, a wider field of investment? A. Yes, sir; there is real ignorance on the part of the community as to the savings banks; there is not a single person connected with the savings banks in their management except those employed actually as officers, who receive remuneration; I and my twenty-six colleagues in the management, except one or two who have to be there every day — the financial officers who receive a fair emolu-

ment, but all the time and intelligence given to the management are by boards of trustees, who are generally men past the prime of life who have been successful in their own business, an evidence to the community that they are cautious; that and the protective elements around the savings banks by the Legislature lead me to believe that it is impossible for the savings bank to absolutely fail; they may be in the time of panic unable to realize upon their securities, and people may have to wait a little while, but it would be absolutely impossible for the depositors to lose unless there is fraud on the part of the trustees.

By Mr. Quigley.

Q. If that bill had become a law allowing them to invest in bonds outside of the State of New York would not that prevent individuals from as readily getting money from banks? A. No, sir; if you read the law you will find that only five per cent of the savings bank deposits is applicable to put into the securities of any one of those places, and we can not put more than twenty-five per cent in the whole aggregate; we must preserve seventy-five per cent for the State of New York.

Q. You mean twenty-five per cent in the aggregate or five different investments? A. You can not take first of all more than five per cent of the deposits in any one city or town; I wish you would read that law, because it received a great deal of attention on the part of the savings bank presidents met in convention, and I think with the exception of one or two it was unanimously approved of.

By Mr. Ahearn.

Q. Two-thirds of the depositors were against it; they claimed that if you were successful that you would do the same with the money that you are doing now, putting up fine buildings? A. No, sir; there is no such desire at all.

Q. That is what they claimed. A. Do you speak of depositors that complained.

Q. Yes, sir; and the city authorities were opposed to it. A. A great many of the city authorities did not understand the provisions of the bill, and after you voted upon it I spoke with some

of the gentlemen who were representatives in Albany and they told me if they knew as much as they did then they would have voted for it; I hold that the fear of the authorities here, particularly our comptroller here, that it would result in preventing our investment in the bonds of the city of New York was absolutely wrong; there was no such idea or expectation.

By the Chairman:

Q. There was, of course, a spirit of selfishness actuating the officers of the city of New York and they wanted to get money as low as possible? A. And they always have.

Q. And they thought if your field was widened they might have to pay three and a half instead of getting it for two and a half? A. Let me ask what would a constituent of the comptroller say if I should say to him that the reason why we can not pay more than two and a-half or three per cent on his money is that the Legislature recognizing the ability of the comptroller to judge instead of our trustees, prevented us from having a larger scope.

By Mr. Quigley.

Q. Was that the only reason you wanted a larger scope? A. Entirely; we have been investing in government bonds and they will soon have expired; we were looking for something to take the place of those bonds.

By Mr. Creamer.

Q. Does the non-taxation of trust companies generally affect savings banks in any way? A. No, sir; not the savings banks.

Q. What is the cause of their being able — do you say they don't interfere with the interests of the savings banks? A. I don't think they do; trust companies are of great use to the savings banks; if you take up their reports you will find that a good deal of the idle money of the savings banks is deposited in the trust company and earning an income.

Q. Money where you can not make a permanent investment? A. We must keep some loose; you take the Bowery Savings Bank with its forty to fifty millions deposits, it must have a certain

amount of money idle ready to take care of contingencies, and they have that in a trust company, and they pay them interest.

Q. Does that interfere with the rate of dividends of the banks? A. No, sir; as a rule we get a good rate.

Q. What is the average? A. About three per cent; a savings bank deposit with a trust company is better than an ordinary deposit with a trust company, for this reason, it is permanent; it is there to take care of a contingency; meanwhile it is earning something and the trust company has a right to consider they can bank on it no longer.

Q. Then in your judgment the small rate of interest paid by a trust company does not have a tendency to keep down the rate of interest paid by savings banks to the depositors; does the operation of the trust company interfere with the savings banks depositors? A. No, sir; it is a great benefit to the banks.

Q. I mean as to the relation of the community generally, you can not see where there is any interference? A. No, sir; it is a benefit, the savings bank is a protected depositor with the trust company in this State; in case there is an accident to the trust company the savings bank is paid first; it is a preferred creditor.

Q. Now, as regards taxation of trust companies and their assets, what is your judgment; are you connected with any trust company? Yes, sir; I am a trustee of the United States Trust Company.

Q. Are you connected with any life insurance company? A. I am not connected with any.

Q. What is your judgment concerning life insurance companies of our State; are they not as well able to pay a tax as in other States? A. I presume they are; I don't know what the taxation is in other States.

Q. One-half of one per cent, and in some places larger? A. I think most of our life insurance companies here are mutual companies; there is no one derives any benefit except the persons who insure them; they are not stock companies; they do not pay dividends; if I am insured or you are insured, the outcome accrues to us; it does not accrue to anybody else; I don't know of any stock companies in the life insurance business in New York.

By the Chairman.

Q. The policy of the State has been against a stock system? A. Yes, sir; everything goes in for the benefit of the assured.

By Mr. Tierney.

Q. As regards their ability to pay their share of taxation? A. I think there is no doubt of it.

Q. You think they should pay their proportion? A. Whatever you can show to be their share.

Q. Now, the banks — they pay their share of tax — the shareholders? A. I think the banks pay a larger share of tax than any other interest that I know of; the bank pays its tax upon the assessed value, and the assessed value is usually what they term the market value, and that market value very often predicated upon what is termed the good will.

Q. Do you not think that the banks — that their stability in the State of New York is owing much to their readiness to comply with the law as regards their obligations to the national government, State government and local government? A. I do not think if it was left to them that they would like to pay the rate of taxation at which they are taxed, but their charters compel them to make their returns, and they are based upon sworn statements and there is no escape.

Q. They as you say no doubt would like to keep company with those not taxed? A. They would like to be relieved of a portion of the law, as I say; I think the banks of the State of New York are taxed more in proportion to the absolute value, the market value of their stocks, than any other interest that I know of, and I think that is not growing out of the desire of the bank to be so treated, but the compulsion of the Bank Department, which compels them to make returns upon which those taxes are levied.

Q. The duties of a bank director are far more responsible and onerous than the director of a life insurance or trust company? A. I think they are; our actions are more controlled by law, and under the responsibility resting upon us in case we overstep that authority.

By the Chairman.

Q. They are both liable for punishment for misconduct? A. Yes, sir.

By Mr. Creamer.

Q. The opinion is that if our banks can pay a fair equitable tax other money institutions should also pay their share? A. The banks enjoy privileges which others do not; you will seldom find a bank paying interest upon deposits; for instance, if I have a bank account in a trust company I receive interest; if I have an account with a bank I receive no interest from the bank; at the same time, if I want money upon my note and go to the bank, I expect to get it; I have no claim upon the trust company.

Q. But often the rate allowed by trust companies is very small? A. It is generally predicated upon what the trust company considers the value of your account.

Q. And a good deposit in any bank the depositor generally receives favors that will compensate him for any loss of interest that he might get from a trust company? A. We all want bank accounts; it is very convenient to operate our business through them; they expect to derive benefits and we expect to derive benefits.

Q. Now, as regards the taxation of corporations generally, have you known of any cases where they have been driven from this State on account of threatened taxation? A. I don't think I have; I can not recall any particular instance at the moment; as I said before, I think a great many corporations have been organized in different States because of the different cost attached to incorporation here.

Q. You are an officer in the chamber of commerce and produce exchange? A. I am a vice-president of the chamber; I have been vice-president of the produce exchange.

Q. You do not recall any corporation having been driven out of this State on account of taxation on personal property? A. I do not remember any.

Q. What would be your judgment concerning deduction for debts for personal property on non-residents who were supposed

to have left the State with a view to avoiding all taxation? A. I presume they would carry their personal property with them.

Q. It has been discussed here as to whether those who leave the State with a view to avoid the payment of taxes, whether when they do appear to avoid all taxation, or at least the larger rate imposed in this county, whether when they do appear at the tax office they should not be allowed equal privileges with residents of the State as regards making a deduction on any capital they admit in their possession? A. I think it would be just and equitable in all instances to allow a man to deduct his debts from the gross value of his assets.

Q. From personal property only? A. Yes, sir.

Q. From real estate? A. No, sir; real estate is entirely different.

Q. As regards this popular error concerning double taxation of real estate, when you tax the mortgages as well as the mortgagor, do you share in that opinion with others as to its not being a just tax because it is a double tax? A. I think it is an unjust tax.

Q. Is it a double tax? A. I think it is.

Q. Isn't it rather two persons paying one tax instead of one paying all? A. No, sir; I think not.

Q. Suppose the annual budget of this county is next year 75,000,000? A. That is all they are to collect; no more and no less.

Q. How can there be 70,000,000 imposed, no matter how large the sum is placed upon the tax book of real or personal property; if, for instance, the amount of the mortgages was placed upon the tax books as well as the value of the real estate, that would reduce the rate of taxation on the real estate owner, and therefore would be a reduction of the tax on the real estate, and adding it on to the owner of personal property; that would not be double taxation? A. My idea, which I tried to make plain to you first, was this, that if you tax the mortgage this year you might get it, but next year the mortgage wouldn't be in existence; if it was policy to call in the mortgage it would be called in, and the result would be it would reduce the value of the real estate; it would

act two ways; it would hurt the man who owned the real estate and would destroy the value of it as a means of raising revenue to the city, because it would reduce its value.

Q. Take it with the rate one-half of one per cent on mortgages; you have said in your judgment that won't seriously interfere with the borrowing or loaning of money? A. What I said was that under any circumstances a tax upon a mortgage would be an additional tax upon the real estate, but that the lower that you fixed the tax upon the mortgage the less the amount of interest and the volume of the tax including the interest would be to the owner of the real estate; if you leave it as it is now, an uncertain quantity, entirely at the discretion or diligence, whatever you please to call it, of the assessor in getting at the present tax, under any circumstances, it is in my judgment that whatever rate you are fixing upon a mortgage you absolutely fix that as an additional rate upon the real estate.

Q. In view of those facts, do you not think that personal property embraced in mortgages should pay a reasonable amount of taxation towards the support of government; you have already stated, I believe, that one-half of one per cent would not be onerous? A. I did not state it exactly in that way; do I understand your question; do you mean that the real estate should be assessed to the owner of the real estate less the mortgage?

Q. No, sir; let the assessment go on as it is now, just the same, fifty per cent of its actual market value or its actual value? A. That is an unknown quantity; now, my house that I pay my tax upon I think I pay ninety per cent of its market value.

Q. You reside where? A. In Brooklyn; I think I pay ninety per cent of its market value; as to the question, do I think that the tax assessed upon real estate and then a tax assessed upon the mortgage is a single tax or a double tax; I consider it is a double tax and an unfair tax.

Q. You pay on $90,000? A. No, sir; ninety per cent of the cost, I said.

Q. What is the tax rate? A. Suppose I bought that house for $50,000; I am assessed for $45,000; suppose I bought that

house and gave back $25,000 mortgage on it; before I started in upon this deal the city received a tax of ninety per cent upon $50,000; now, after I had completed the deal the city would receive this ninety per cent upon the $50,000 and place the same rate of taxation upon $25,000.

Q. But the city don't want to receive more than it should; that is where the mistake is made; suppose all the tax is raised in the county from real estate and mortgages on real estate, and that your piece of property say, in round numbers, is worth $100,000, and there is a mortgage of $50,000 on it; now, if ninety on the hundred was the rate — if you are assessed on that and the holder of the mortgage is also assessed, you see you have more money than you require; therefore, the money that is raised from the mortgage is deducted in a revised tax rate from your house assessed at ninety per cent, and the rate would be so much less than the amount raised in the mortgage; therefore, where is the double tax? A. Perhaps, you have got the theory of the thing and I have got the practice of the thing.

Q. Suppose, for instance, that your piece of property was mortgaged and the mortgagee was paying his share, then the city would not require it from you; they would deduct it in the next annual budget; where is the double tax? A. I find that though the volume of taxable property is increasing our rate of taxation remains the same; the practical side of it is mine; the theoretical side of it is yours.

Q. For instance, if in the county of Kings, the amount of the mortgages on the realty there is the same as it is held to be in this county and other counties, fully equal to the assessed value of the property, and all those mortgages were placed on the Kings county tax-list, that, of course, would reduce the rate of taxation from two dollars and seventy-five cents to one-half of what it is to-day; it is a double tax only in the sense that the mortgagor and the mortgagee both pay where now but the mortgagor pays; there is no double taxation in that; there is a reduction of taxation for the owner of the property, and, therefore, wherever there is a reduction of taxation there is a benefit to the owner as

well as to whoever rents the property? A. That has not been the experience, Mr. Counselor.

Q. As regards the tax on inheritances, what is your opinion as to the operation of that law — the collateral inheritance tax? A. I believe in it myself thoroughly.

Q. And also the direct inheritance tax? A. I believe in the inheritance tax.

Q. Would you modify it in any respect as regards the amount to be taxed; it is now limited to property above $10,000; would you increase or decrease that amount; there has been a difference of opinion as regards the effect of that law and what the views of citizens were in regard to it? A. I think the provision is a fair one as it stands now.

By the Chairman.

Q. Some of those city officials that insist that two and a half per cent is sufficient earning for your savings bank money do not hesitate to get five per cent for collecting this inheritance tax; what do you think of the liberality of the spirit in that connection? A. I don't think it is liberality.

Q. In other words, they want the use of their money for two and a half per cent for a term of years, and for the mere collection of this money passing through their hands for a very short period they want five per cent for the trouble of collecting it; do you think they exhibit a great degree of liberality? A. No, sir.

Q. Do you not think that five per cent for the collection of that tax is altogether too much? A. It is not the collection of it; it is the contribution from the State to the maintenance of the government.

Q. I am talking now about the percentage that the officer gets for the mere handling of it. A. That is outrageous; I did not understand the counsellor's question; I thought he meant the levying of the tax for the government's purposes.

Q. That is what he meant; my question went to the fee of the officer who collects the tax. A. There is no question about that; it is outrageous.

Q. You think that without doing any injustice to an officer already salaried that percentage might be cut down? A. I do.

Q. The purposes of this inquiry as you may have learned from the resolution are as to the propriety of modifying the present laws relating to taxation, assessment and interest, so far as they affect the agricultural, manufacturing, commercial, labor, banking and other interests of the State; now, I think all the witnesses who have preceded you on the witness stand have united in the expression that real estate should be relieved from taxation for general State purposes, if means can be devised by the Legislature for the support of the government otherwise; what do you think of that proposition? A. I think it would create a great feeling of satisfaction, and it would do away with a great many errors that creep into this whole question; I think it would be a great benefit if the State government could be maintained by taxes outside of this question of real or personal taxation, and leave for the localities themselves in which the people live to decide those questions of taxation from the real estate or personal standpoint.

Q. That would do away with all this question of equalization? A. Yes, sir; it would do away with a great deal of this haze that really surrounds it now; if the State should obtain its taxes through the inheritance tax and through corporation that derive their existence and benefits and favors from the State, then leaving the other questions of local taxation to the local authorities, it would be a great point gained.

Q. Can you suggest any additional channel through which revenue could be obtained for general State purposes if real estate is to be relieved from a general tax? A. I stated that I thoroughly believed in the inheritance tax; as I look upon it it is not onerous to the persons receiving something that they have not earned themselves; it is something that they have had no direct influence in the creation of, and it is absolutely all profit to them.

Q. Would you be in favor of increasing it? A. I think I would; the more I have thought of that the more that idea gains

upon my mind, and I do not believe it would meet with serious objection when thoroughly considered.

Q. Can you suggest any channel through which taxes for the support of the general government could be collected from which nothing is collected now? A. This question places us entirely outside of the line of my own business life, and I have not given it consideration; I must therefore confess inability to give you the information that you ask for.

Q. My purpose in asking the question is this: If we are to relieve real estate from contributing towards the expense of the general State government, we must get additional revenues from other sources, therefore I ask you as an experienced business man if you can suggest any other channel through which we could derive additional revenues; is there any tax upon State banks for local purposes now that might be diverted from the local channels into the State treasury? A. I don't think there are.

Q. Then you are unable at the present moment to suggest any other means for the collection of taxes? A. Have you any idea what the volume of that would be in the aggregate?

Q. No; I have not.

By Mr. Creamer.

Q. As regards the amount? A. Yes, sir.

Q. Twenty-six hundred million the assessors say. A. I mean, for instance, if you relieve real estate from the State portion of the tax what would be the volume of the amount you would have to raise as an equivalent?

By Mr. Hamilton.

Q. The total amount contributed by the various counties for State purposes was over $5,000,000, of which real estate paid in the neighborhood of eighty-nine per cent; there was an amount raised in excess of the needs of the State, and of that amount some eighty-nine per cent was contributed by the tax upon real estate—about four millions and a half? A. What was the amount raised from the inheritance tax?

Q. The receipts for the year 1891 in the Comptroller's report in 1892, it then being simply what is known as the collateral inheritance tax, and not as broad as it is to-day was $890,267; it is estimated that with the direct succession tax the amount will be largely increased, although the direct succession tax does not include the tax upon real estate, the $10,000 being solely confined to personal property? A. Believing as I do that the inheritance tax is a just and fair one and that it might be made a means very much like the English way of piecing out the budget by the income tax; the direct inheritance tax here is very moderate, and it seems to me that could be increased materially without being onerous to anybody where you relieve the very moderate amounts coming to persons in moderate circumstances.

By the Chairman.

Q. You think it might increase above one per cent and yet not to be a hardship? A. Yes, sir; in Great Britain I think it is five

Q. You think we might increase the direct inheritance tax to two and a half? A. I do.

Q. Do you recommend that? A. If I was in a position like you I believe from the light I have now I would be in favor of looking to that for a means of income.

Q. From the standpoint of relieving real estate from taxation for State purposes, if you were searching around for something you would recommend the idea of increasing the direct inheritance tax to two and a half per cent? A. Yes, sir.

By Mr. Hamilton.

Q. And including also real estate? A. Yes, sir; it must be on all; it seems a fair way and also a way that everybody has to pay his proportion; there is no evading it.

By the Chairman.

Q. You said that you favored the tax upon corporations? A. I favor a tax; I don't believe in corporations relieving themselves of taxation; of course, I mean a tax that is in proportion to the

benefits they receive from rights derived from the State and the protection of the State.

Q. What do you say of the tax of one-eighth of one per cent; do you think that is too high? A. My idea is this: That I would try to get the corporation and I would keep the tax so low until I got the corporation.

Q. Then you would tax them after you got them? A. I would tax them in proportion to the benefit; you would very soon find out what that is.

By Mr. Creamer.

Q. Do you think that a law that would work well in Pennsylvania and Massachusetts as regards corporations might be tried here in safety? A. If I knew what these were I would be willing to express an opinion; I would not tax them in their inception to prevent them organizing; I would rather make the tax in such a proportion as to ask them to the State of New York and place them under your own supervision; imaginary lines, you know, are very easily crossed.

Q. With regard to the incorporation of those companies? A. Yes, sir.

Q. Your opinion is that a company can not afford to pay one-eighth of one per cent on a capital of say $200,000 must be very short of funds? A. They ought not to be.

Q. There has got to be a line drawn somewhere as to the privilege of forming companies? A. If you are going out to shop and find two stores equally advantageous, one charges you one price, and the other charges the other, you will seek the one that charges least.

Q. What is your judgment concerning the incorporation of this company in Jersey City doing business in the State of New York and organized in the State of New Jersey recently? A. Which do you refer to?

Q. I do not know; it is a corporation recently organized there, including a safe deposit company, to have a branch in the State of New Jersey to represent corporations doing business in this State, incorporated under the laws of New Jersey, to give them a

business standing in that State, principally to avoid taxation or liability under our laws not existing under the laws of New Jersey; have you noticed the existence of that corporation? A. No, sir.

Q. As regards an income tax — what do you think of an income tax as being a solution of taxation of personal property as has been suggested; what is your judgment concerning the effect an income tax would have? A. I think it would be exceedingly unfortunate for the State to have that; if you have one which is national in its character and drawing an imaginary line does not prevent its being operative, it might answer, but if you mean a State tax it only means the building up of adjacent States where they do not have it; you would be depriving the State of New York of that portion of its citizenship that spends a great deal of money here in New York; you can not control private personal property; it will get away; it is not the question of its right or wrong; it is an inquisitorial tax which is exceedingly unpopular; it will be evaded by unconscientious men and it will drive away the conscientious ones.

Q. I ask you now as to whether or not a change should not be made now as regards the question of assessing personal property? A. You must bear in mind that we are the Empire State for all that; the State of New York is not dead; I would like to repeat what I said before that in this question of real estate there is no injustice done to the owner for he purchases it with the understanding that there is a tax against it, and just the same with insurance, just as much as there is to keep it in repair.

Q. I understand you to say that you are unqualifiedly opposed to the taxation of personal property? A. I am; I believe that it is detrimental to the interests of the locality.

Q. For all local purposes at least real estate should bear the burden of taxation? A. Yes, sir; and the corporations that are enjoying the benefits.

Q. Of course, corporations having local franchises ought to pay? A. Yes, sir.

Q. Are you in favor of lowering the legal rate of interest; the agricultural people of the State seem to demand that the legal rate of interest be lowered from six to five per cent; are you in favor of keeping it as it is or lowering it? A. I am not in favor of lowering it; the meaning of lowering it is to send capital off, and the result would be very disastrous; the question of lowering or raising does not benefit the country at all; money will always find its level.

Q. We must out of respect for the farmer presume that he knows what he wants; he says he wants a lower rate of interest and wants it fixed at five per cent; I want to get your judgment as to the wisdom of that reduction? A. I think it would be very unwise; if the State of New Jersey can give me six per cent when the State of New York will only give me five my capital will go to New Jersey.

Q. Won't it be a benefit to the farmer? A. No, sir; I don't see how it could be.

John A. Mason, called as a witness, being duly sworn, testified as follows:

By Mr. Creamer.

Q. You are a State assessor? A. Yes, sir.

Q. How long have you been a member of the State Board of Assessors? A. I qualified on the second day of July of the present year.

Q. Had you any experience previously in connection with this subject? A. No particular experience.

Q. Except a general knowledge? A. Except a general knowledge.

Q. What has been the result of your experience since as regards the assessing of personal property, whether it has driven capital out of the State, either corporate or individual? A. I have not secured any special knowledge with reference to that branch of the subject of taxation, and I have simply my personal opinion; the duties of State assessor have not as yet brought me in con-

tact with the industries of the State or the question so as to give me specific information.

Q. You have read the resolution creating this committee? A. Yes, sir.

Q. Can you give the committee any information in compliance with that resolution? A. My opinion is, it would be conducive to the prosperity of the State if personal taxes were abolished, except such as may be paid by corporations which receive their life and value from franchises.

Q. Does that include joint-stock associations and firms? A. Joint-stock associations engaged in ordinary business.

Q. You would exempt those? A. Yes, sir.

Q. When you say, tax corporations, what do you mean, incorporated by special law or under the general law? A. Incorporated by the law of the State giving to the corporation franchises or special privileges which make the corporations institutions of value.

Q. Would you include also joint-stock associations without being incorporated; there are such in the State — business associations making large profits even beyond those incorporated? A. I think that capital employed in productive industries or as a convenience to trade and commerce, whether it be the capital of individuals or corporations, should be relieved as far as possible from burdens of taxation.

Q. Then what would there be to tax? A. Corporations which operate on franchises giving to them special privileges — railroads, gas companies, telephone and telegraph companies.

Q. Telegraph companies? A. Yes, sir.

Q. How would you tax telegraph companies? A. Upon their earnings.

Q. At their principal office in every county, or how? A. Upon their earnings within the State; upon their gross earnings; in other words, it seems to me that whatever may be given by the people to a corporation in the way of a special privilege should be paid for by the corporation, but that capital employed in

ordinary every day pursuits, open to every day competition, should be relieved as far as possible from taxation.

Q. Have you read the tax laws generally during the last ten or twelve years? A. No, sir; not during the last ten or twelve years.

Q. I mean have you read during the last six months since you have been in office the laws covering that period? A. To some extent; yes, sir.

Q. What is your opinion as to the exemptions placed upon the statute books from time to time to exempt from all taxation such as life insurance companies, express companies and other joint-stock associations? A. It seems to me that an express company should pay a tax to the State; the nature of its business does not admit of that open competition which is possible in the life insurance companies.

Q. As regards those laws exempting those others which I have just enumerated? A. I think they are wise.

Q. In exempting them? A. Yes, sir.

Q. Would you exempt a trust company? A. Yes, sir; its capital is used; it is a convenience to trade and commerce, and whatever is conducive to trade and commerce adds to the general prosperity.

Q. Should not general prosperity contribute its share towards the support of the State; the government guarantees its prosperity? A. It seems to me that is done by making real estate the basis of taxation — real estate and the improvements.

Q. What benefit is it to real estate to have a trust company exempt from taxation, particularly real estate used for dwelling purposes? A. Whatever adds to the volume of commerce gives, it seems to me, an increased value to real estate.

Q. In what way? A. By adding to the population; if I may explain myself — I think, so far as I have studied the subject, that if personal property should be exempt from taaxtion, it would result in greater prosperity to the city of New York, to the city of Buffalo, and to other centers, by attracting here capital which would seek employment in various ways.

Q. Exempt personal property? A. Yes, sir.

Q. Even if the cities of Philadelphia and Boston impose a large personal tax? A. It seems so to me; if it would be advantageous it would not seem to me to be a sufficient reason why we should not possess ourselves of that advantage because it is not done by Boston or Philadelphia.

Q. Do you think that we should take advantage of the situation? A. I think so; I was not aware of it until you called Mr. Orr's attention to the fact; it occurred to me that, notwithstanding our prominence in the Union, we are fifth with reference to personal property that pays a tax; it occurred to me that, perhaps, one reason why we are beyond the other States in population and wealth is that personal property in this State has not been taxed as it has been in the other States.

Q. That is one reason? A. I do not know that it is, but that occurred to me; I have not looked into the subject; I did not know of that interesting fact until you brought it out.

Q. The county of Kings has increased more in proportion than New York, while the amount of their personal property has decreased; would not that rather interfere with your theory? A. I think not; Brooklyn is growing more rapidly than New York relative to population than it did ten years ago, perhaps, on account of the better facilities for travel to reach the suburbs — the widening of the inevitable area for homes.

Q. Then this large wealth recently exhibited to the public gaze of certain citizens entirely invested in personal property you would rather exempt? A. Except so far as it came from corporations which receive from the State franchises carrying special privileges which are of great value.

Q. Nearly all of those corporations of great value are not special privileges; the Western Union Telegraph Company is organized under the general laws of this State; the organization of the Manhattan Elevated Railroad Company is not a special privilege; it is organized under the general law of the State; there is nothing special about that, and, therefore, they would not come

within your ideas? A. I think so; they are given the use of the streets.

Q. Not the Manhattan elevated; you will find on the aggregate the capital of those three companies, the Manhattan, the Metropolitan and the New York, that the taxation on their real estate is not over one-fourth of what the entire capital is? A. I think such corporations should be taxed on the volume of their business.

Q. That company came into existence not through special laws or favor, but by organizing under the general law; I simply want to call your attention to the fact that your limitation as to what you fix will not enhance certain properties if you are going to confine it to special corporations and not include all business associations. A. I should consider it a defect in the law if corporations like the Manhattan Elevated Railroad Company can use the streets without a proper payment to the people for that special privilege.

Q. As regards the Western Union Telegraph Company with a capital of $100,000,000 what is your opinion? A. I think it should pay to the State compensation for the privileges given to the company.

Q. As regards trust companies you think they advance commerce? A. Yes, sir.

Q. What is your judgment as regards taxation of the assets of life insurance companies; do you think that the exemption of those companies or associations, mutual or otherwise, should continue? A. That is my impression.

Q. They should be exempt? A. Yes, sir.

Q. How about the bank shares? A. My thought is that every form of personal property should be exempt from taxation.

Q. You would exempt bank shares? A. Yes, sir.

Q. How about express companies? A. Express companies I think should pay.

Q. Express and transportation companies? A. Yes, sir.

Q. Fire and marine insurance companies? A. I should say fire and marine insurance companies should not be taxed.

Q. Then you would leave but the express companies and the railroad companies? A. They should be taxed; they should pay; whatever institutions are operated upon franchises based upon the use of streets or property belonging to the people should pay for that privilege.

Q. Our railroads now pay it, do they not? A. They do upon the real estate.

Q. And even our city railroads pay what they are assessed at fairly? A. They.

Q. If you are going to wipe out all those other corporations where are you going to get your tax from? A. I believe in the inheritance laws now on the tax books.

Q. Confine yourself to corporations; what class of corporations would you assess? A. Transportation companies.

Q. They are already assessed; what class that are not now outside of railroad companies? A. Express companies.

Q. Outside of express companies; they run on railroads and they are the same thing. A. Telegraph companies; telephone companies; gas companies.

Q. You would exclude manufacturing companies? A. I would exclude manufacturing companies.

Q. That is the policy, I believe, in Pennsylvania and Massachusetts; as regards the inheritance tax have you had any experience with that? A. I have not been brought in contact with the law, but my opinion is, it is a wise law; I think its scope should be increased.

Q. In what respect? A. I think the law should require a payment to the government upon all legacies whether real or personal property.

Q. Is it now confined to personal? A. As I understand it.

Q. It should also reach real estate? A. Yes sir.

Q. That is the collateral inheritance? A. Yes, sir.

Q. Do you also apply the same to the direct? A. Yes, sir; I think it is a contribution due by the person who receives this property should pay his part to the government, the stability of which has made the accumulation possible.

Q. What proportion of the real estate assessed in the inheritance, one per cent or five per cent? A. I can not answer that question without more thought and study than I have given to the question, but I think the principal is right.

Q. As regards your office and its relations with the State government have you any suggestions to make concerning the operation of existing laws? A. I believe, and it is my personal opinion, stated without even consultation with my colleague — I believe it would be better if instead of the present system of equalization it were made the duty of the State Assessors to ascertain the full value of the counties of the State and report that value, and have the tax, if a State tax is to be levied upon the real property in the different counties — have the State tax levied upon the full value of the counties; I would dispense with the present system of equalizing as between the counties.

Q. Have you anything to do with equalizing matters where there is assessments on the line of a railway in different counties? A. No, sir.

Q. Where you find in one county the assessment on a railway is twenty per cent of its value as real estate, and in the next county possibly the assessment on the railway is eighty per cent, has your board any jurisdiction as regards regulating that? A. No, sir.

Q It is a fact that throughout the different counties of the State that this large discrepancy in assessment prevails from year to year, and the difference of assessment on the same corporation in different counties is very conspicuous, and your board has no jurisdiction? A. No, sir.

Q. What would be the remedy to make it more uniform, in justice to both the people and the corporations? A. I think it would be reached in part if the State Board of Assessors should be required to report the full value of the county, so that the State tax could be assessed upon the full value of the real property in the counties; then such cases as the one you speak of would be reached.

Q. Have you equalized the tax of the State for this year since you have been a member? A. Yes, sir; for 1892.

Q. How much have you deducted for the county of New York? A. We added $80,000,000.

Q. How did you arrive at that conclusion; I believe you represent this county? A. I consider myself a State officer.

Q. I mean you reside in this county? A. Yes, sir; the result was arrived at after examination of real estate transfers in the city of New York, and after conference with the tax commissioners.

Q. Will you give us the substance of your interview with the tax commissioners? A. The tax commissioners claimed that in the city of New York property was assessed for the purposes of taxation at from sixty-eight to seventy per cent of the full market value; the State board of assessors allowed seventy-three per cent.

Q. On what did you base that sum? A. Upon our examination and the best opinion we could form after conference and investigation.

Q. I notice you add to Westchester county; what percentage did you allow there; you added largely to Westchester in proportion? A I don't remember the percentage, but it was not changed from the percentage as fixed by our predecessors, because we had no opportunity of visiting the county.

Q. Sixty-three in this county; do you remember any other county as to what was the amount allowed? A. Kings, I believe, was fixed by the board of equalization at sixty-eight, that is my impression.

Q. Any other county throughout the State? A. I think Erie was fixed at a percentage above seventy, but I can not remember; the data is with the chairman of the board, Mr. Wood of Poughkeepsie.

Q. The amount that was added on to this county previous to your going into office was much larger than 80,000,000, was it not? A. Yes, sir.

Q. How much larger was it? A. I can not remember, but I think for the year 1891, $120,000,000.

Q. So it is much less than it was before? A. The addition is less because of our fixing the rate of assessment here at sixty-three per cent of the full value; I believe our predecessors satisfied themselves that sixty per cent was all to which New York was entitled.

By the Chairman.

Q. For this year? A. No, sir; sixty per cent for the years previous to this year.

By Mr. Creamer.

Q. As regards the time of the year of making those assessments and the action of your board in equalizing, in some of the counties large sums are borrowed from year to year in anticipation of the gathering in of the revenue, and interest paid to anticipate the collection of taxes; have you looked into that subject? A. I have not.

Q. And as to whether if the law was changed concerning some of the counties more particularly the county of New York, where the last fifteen or twenty years, perhaps longer, there has been an interest paid something like 14,000,000 for revenue bonds to pay the taxes, at least in anticipation of collecting the taxes, and it has been suggested to change the law so that assessing the property and the making up of the tax budget for the year, together with the collection of taxes for that year, will be changed to the commencement of the year rather than to the ending of the year; have you given that question any consideration? A. I have not; I should think that any just system of taxation would take into consideration the convenience both of the people who pay the taxes and the different divisions of the State which ultimately pay to the State.

By the Chairman.

Q. Your board has had several meetings throughout the State? A. Yes, sir.

Q. Have you heard of complaints of the representatives of the rural districts about the burdens of taxation that fall upon them?

A. The nature of the complaint seems to be that the rural districts are not growing in population; that the value of farm property is either at a standstill or is decreasing.

Q. Have you made any examination or comparison of the rates of taxation in the several counties of the State? A. Of the rates of local taxation?

Q. Yes, sir? A. No, sir; I may say that while the board of assessors has visited various sections of the State, our tour has not been thorough.

Q. For instance, do you know what the average rate of taxation is in the county of Orange? A. No, sir.

Q. Do you know what the rate is in the county of New York? A. About one and eighty-five hundredths.

Q. What seemed to be the nature of the complaint made by the representatives of the rural counties? A. That the value of farm property, as I said, is either at a standstill or is decreasing as a result of the growth of the cities and the permanency of the rural population.

Q. But do they not claim that the burden of expense of government is falling unjustly upon them? A. The burden of the expense of State government?

Q. Yes, sir? A. So far as the board of equalization failed to take into account the decreased value of farm property that is true; that has been the complaint.

Q. Did your board make any inquiry or investigation with a view to ascertaining whether or not those complaints were well founded? A. Yes, sir.

Q. What did you find the result to be? A. I think, in the main, they are well founded.

Q. Have you made any investigation with a view to ascertaining what proportion of the expense of State government is paid by the agricultural interests of the State? A. I have not, but I should say a very large share of the expenses of State government are paid by the cities of the State.

Q. My information is that only about eight and a half per cent of the expense of State government is paid by the agricultural localities; have you heard anything that would seem to confirm

that? A. I should say, without examining the question closely, that ten per cent would fully cover it; I mean by that the purely agricultural sections of the State.

Q. Those are the sections to which I refer, and if ten per cent is all that the agricultural districts of the State contribute toward defraying the expenses of State government, what relief, in your opinion, would those localities derive; suppose we wipe out altogether this ten per cent and relieve them from contributing towards the State government; do you think they would be very much better off than they are now? A. They would be better off to the extent of the payment, whatever it may be; I believe that the rural districts of the State would be benefited by the exemption of personal property, if it should be followed, as I think it would be, by increased real estate in the cities of the State.

Q. Now, the farmers and their representatives who claim the right to speak for them on the question of taxation all seem to unite in the opinion that it would be better for the farming interest to have all personal property taxed; have you made any inquiry or investigation with a view to forming an opinion as to whether they are right or wrong in that theory? A. I have done some reading and thinking outside of my work as a State Assessor, which with the light I now possess satisfies me that the farmer is in error in that assumption.

Q. In other words, in that particular you think the farmer does not know what is for his own best interests? A. I could not say that; there is room for a conscientious difference of opinion; I can only say what is my view and my opinion.

Q. In the light of your experience is it or is it not your opinion that the burden that falls on the farmer is largely the burden of local government? A. Yes, sir; of local taxation.

Q. And the burdens that he really complains about are not the burdens of State government but the burdens of local taxation? A. I think that is true

Q. And that the expenses of local government in the country are proportionately very much higher than they are in the city? A. I think that is true.

Q. Now, do you believe that very much relief would come to the farmer if we wiped out altogether his share of contributing to the State government by a tax upon his real estate? A. If that could be done without crippling the sources of local taxation he would be benefited, of course, to that extent, but if it should be done by taking from him any of the sources of local taxation, it might be a very serious injury to him; it might cost him more in that which he gives up than what he is benefited.

Q. Would you or not recommend divorcing the question of the collection of taxes for State purposes from that for local purposes? A. If it can be done without expelling capital from the State and without lessening or imperiling the sources of local taxation, I think it is most desirable.

Q. You can see that if such a method was devised it would do away with this much mooted question of equalization? A. Yes, sir; I see another advantage in it; I think it would make possible the enactment of a local option law which would give to the various counties the right to tax or exempt from taxation personal property.

Q. You think that would be advantageous? A. Yes, sir.

By Mr. Coggeshall.

Q. Do you mean to place the power in the boards of supervisors? A. Yes, sir; the county authorities.

By the Chairman.

Q. Would you give the local boards legislative power in that regard? A. Yes, sir.

Q. You would be in favor of passing an act which would give to them the right without any interference on the part of the Legislature to levy the taxes for local purposes as they saw fit? A. Yes, sir.

Q. What do you say as to the wisdom of taxing bonds and mortgages? A. I think it would be a mistake.

Q. You are not in favor of it at all? A. No, sir.

Q. Have you considered at all the acts providing for collateral and direct inheritance tax? A. I think as I have already said that the law is a good one.

Q. Have you considered the proportion of tax imposed with a view to determining whether you would be in favor of increasing or decreasing the rates? A. I think I could favor a graded tax — a tax levied in proportion to the amounts devised and received by single heirs; I think, in other words, that the person receiving a legacy of $500,000 should pay a larger percentage than the person who receives a legacy of $15,000.

Q. Suppose the tax should continue to be uniform as now on the collateral inheritance, would you be in favor of confirming it at five per cent or increasing it? A. I can not give an offhand opinion on that question.

Q. What do you say of the tax imposed on direct inheritance of one per cent; do you consider that enough? A. No, sir.

Q. What would you fix that at if you had your way? A. It seems to me it should not be less than two and a half; I think the contribution should be a liberal one, or the payment.

Q. Then, you would advise the amendment of that law by increasing the rate to two and a half? A. One per cent might be enough upon amounts between $10,000 and $50,000.

Q. What do you think would be a fair compensation for the services of the officer who collects that tax, considering that, I think, all of them are salaried officers? A. I think five per cent is far too much; what would be a proper compensation I could hardly say.

Q. Wouldn't the amount have something to do with that? A. It ought to.

Q. You would be in favor of making the compensation graded? A. Yes, sir.

Q. Suppose that the policy of the State to assess personal property shall continue, what do you say about the wisdom of allowing offsets by evidences of debts? A. I think such allowances should be made

Q. Then, if you are in favor of allowing such deductions to be made in regard to personal property what do you say as to real property? A. It ought not to be.

Q. What, you make an allowance in the case of one and not in the other? A. I consider real estate the best basis of a system of taxation; it is immovable and permanent, easily found and should be assessed at its value without reference to amounts which may be owing by the person who is occupying it.

Q. Put it in this way: If one man is indebted to the extent of $100,000 on his real estate, his equity being only $50,000, but he pays on the full and true value of $150,000; now, another man is in just the same plight except that he has got $100,000 invested in some good paying business; he offsets the $100,000 indebtedness as against the $100,000 that he has invested in his business, and he escapes taxation on that money invested in his business; what do you say to that? A. I say as a principle that the money invested in his business ought not to be taxed.

Q. I put it on the assumption that the policy of the State to assess personal property should be continued; then, what do you say as to the equity of the course as between the two? A. That would seem to be unjust; if the personal tax is to be continued the law should be enforced as it stands upon the statute book, and he should pay a tax upon the $100,000 invested in his business.

Q. That is the reason why I propounded the question that I did; the law to-day allows an offset of indebtedness against the personal assessment; some of the committee at least appear to be of the opinion that it is not right to allow offsets of indebtedness against personal assesments; that the rule as to personal property ought to be the same as it is to real estate? A. I think if that were the rule real estate would loose its value.

By Mr. Ahearn.

Q. I think that the chairman means to say that a man comes before the board of assessors and he is down on the tax books for $100,000 he borrows $100,000, and he swears that his indebtedness is $100,000 and that wipes out his personal tax. A. Yes, sir.

Q. He means to ask do you think that is fair? A. The question is should a man be taxed upon his business debts?

Q. Whether in your judgment you think they have the right to go before the board of assessors and swear that off? A. I think a man has that right.

By the Chairman.

Q. We had two statements of the tax office here the other day; to make it plain they were statements of two publishing corporations; they both owned real estate; the holdings of the one are of much more value than the other, but the one that has the greatest holding of real estate paid a tax on $3,400, while the other one with the lesser holding paid a tax on $199,000; now, the reason that the one with the larger holdings escaped the payment of tax except upon $3,400 was that the mortgage indebtedness on the real estate was offset. A. I think that the law which makes such seeming inequalities ought to be repealed.

Q. Then you favor the disallowance of the real estate indebtedness as against personal property? A. I am sorry to say that I can not follow you closely enough to make plain to myself the distinction you are making; I state it as my opinion that the taxing of personal property should be stopped.

Q. The committee fully understands that you are in favor of the non-assessment of personal property. A. Yes, sir.

Q. But I ask you the questions that I have asked you, assuming that the policy of the State to assess personal property shall continue, then and in that event are you in favor of allowing the holder of real estate to offset his assessment on personal property with the bonded indebtedness on real estate? A. No, sir.

By Mr. Quigley.

Q. What would you think as to the assessors keeping their books open a little longer, and after discovering an indebtedness to tax that in the case of the parties who hold it? A. I think that would be wise if the personal tax is to be continued.

Q. At the present time the assessors make up their list at a certain time of the year, and at that time a discovery is made of those offsets; what would you think of increasing that time so as to reach the party in whose hands the indebtedness is and put him on the list, and tax that indebtedness in the hands of the party who holds it? A. It would seem to be judicious.

Q. Wouldn't that remedy this evil of offsetting bonded indebtedness? A. I think so.

By the Chairman.

Q. You know that a large proportion of the tax collected by the State goes to the support and maintenance of the canals, which have been free for a large number of years; do you think that the benefit derived from the people of the State justifies the continuance of that general tax for canal purposes? A. That is my opinion with the light and information I have; the opinion is most general.

Q. In what direction do you think the benefit comes? A. By stimulating the growth of the cities, and more especially the growth of the city of New York.

Q. Do you think the canals have much to do with the city of New York? A. Yes, sir; whatever may tend to legitimately increase the population and commerce of the city, and I should specify to make it plainer, Buffalo and New York, increase the general prosperity of the State.

Q. Then you think the large proportion of benefit derived from the maintenance of canals by public expense goes to those two cities? A. I think a very large portion, but I think the benefits are diffused through the State directly and indirectly.

Q. Now, suppose we divorce the two systems of collecting State and local taxation, and bearing in mind that the benefits of canals largely go to New York and Buffalo, how would your proportion the expenses of maintaining those waterways? A. I meant to say that as I view it the canals as they stand are a benefit to the State at large, and as such they should be a State charge; I doubt very much whether there is a section of the State

that is not benefited by the existence of the canals, just as the entire State is benefited by the existence of the Hudson river; it is not only the benefit to Yonkers and Newburgh and New York and Albany, but to the entire commonwealth; if the Hudson river should be filled in to-morrow it would be a disaster shared by every resident in this State, and I think the same holds true as to the canals.

Q. I do not suppose you can recall the conditions that prevailed before the tax was taken off the canals? A. No, sir.

Q. You can not say that the condition of canals is any better than it was before the canals were made free? A. I have no knowledge at all upon the subject.

By Mr. Creamer.

Q. Are you familiar with the legislation of other States on this question of taxing corporations? A. No, sir.

Q. When you say exempt all mortgages from taxation you are not aware then of the law concerning taxation of mortgages in other States? A. No, sir; I am not.

Q. You have not any other information? A. No, sir.

Q. You express that as your opinion? A. As a principle.

Q. As your opinion? A. Yes, sir.

Q. Based upon what? A. Upon my thought and reading, and upon my belief that if mortgages should be taxed the tax would eventually fall upon and be paid by the borrower; it would either be paid by him in some way direct or indirect or would affect the rate of interest.

Q. Do you not suppose that those large corporations loaning on bond and mortgage understand what the contract is, and the other understands full well when he agrees upon the rate of interest? A. Yes, sir; but I assume that in all transactions covering the borrowing and loaning of money, the net result is the deciding factor.

Q. Suppose a man in this community is financially able to invest $10,000,000 in first mortgages paying five per cent and get $500,000 income out of that investment, so you do not think

he should pay any tax towards the government where his money is invested; suppose a man has $10,000,000 invested in first mortgages in this city and has an income from that of $500,000 a year, do you not think he should contribute his share towards the support of government? A. I think he should pay upon the real estate he may own; I think, if the effort should be made to tax him upon the mortgages, that he would eventually compel the payment of that tax by the person who borrowed from him the money secured by the mortgage.

Q. We are looking at a condition of things, not a theory; do you not think that a man who gets an income from his mortgages of some half a million a year should pay some share of the expenses of government? A. It would seem as if he should.

The committee then went into executive session.

On motion it was decided that the committee should hold the next meeting in Syracuse, at the Yates House, December 29, 1892, at 10 a. m.

---

Syracuse, N. Y., December 29, 1892.

The committee met pursuant to adjournment.

E. S. Bartlett, called as a witness, being duly sworn, testified as follows:

By Mr Hamilton.

Q. Where do you reside? A. Seneca county.

Q. What is your occupation? A. My occupation for a long time has been farmer and some incidentals outside, at present holding the position of school commissioner.

Q. How long have you been a farmer? A. I have managed a farm since 1858.

Q. Principally in Seneca county? A. Yes, sir; entirely in Seneca county on the farm on which I was born and on which I now reside.

Q. Have you at various times held public office in that county? A. Yes, sir.

Q. In what capacity? A. I have held nearly every position in the gift of the town except poor master and constable.

Q. What position have you held? A. Supervisor, justice, inspector of election, assessor.

Q. And your position as assessor and supervisor has brought you in connection with the question of taxation? A. Yes, sir.

Q. What have you to say as to the propriety of amending the present laws on taxation, assessment and interest, so far as they affect the agricultural interests of the State? A. My idea with regard to that is that the assessment laws should touch equally upon all real and personal property, and that each person should pay his proportion for the support of the general government or the State government, as his interest financially appears, whether it be in personal or real property.

Q. Is it your experience as supervisor or assessor or both that such is not the present condition of affairs in your county? A. Yes, sir.

Q. What class of property is it that escapes? A. Oftentimes it has been mortgages that escaped and general money matters that are laid out at interest on either note or other collaterals — other obligations.

Q. Is this property that escapes to your knowledege the property of individuals or principally that of corporations? A. I think that that has come into my immediate knowledge has been more individually, but I think there is quite a good deal of corporation or company matters that escapes in our manufacturing villages.

Q. What has been the result of this escape of personal property from its taxation that you have described upon the real estate of your county? A. It necessarily makes the real estate pay a larger proportion of the tax.

Q. Now, has that effect on the market values of real property in your country? A. You have reference to farm lands?

Q. Yes, sir. A. It has also a great effect upon the village property as I learn, and I don't know as I can attribute it wholly to the effect of assessments or the amount of tax which the individuals pay, but the real estate in the county of Seneca is very much depreciated in value.

Q. Can you tell us for how long a period that decrease has been extending? A. There began a marked decrease about six years ago; it has been more rapid for the last three years so far as my observation and knowledge goes.

Q. That necessarily means a decreased market for the sale of farm lands? A. There is very little market for farm lands; there has scarcely a farm been sold where a purchaser has come in and bought it out and out; unless it is on the verge of being sold under mortgage or the necessity of selling it in order to save it being sold that way.

Q. Outside of forced sales is there any other extensive market for farm lands in your county? A. No, sir; I only know of two that have been sold for three years.

Q. How long has that condition existed? A. About the last three years it has been more marked than at any time previous.

Q. Can you describe to us what way personal property escapes taxation in your county; what methods are resorted to? A. When the assessors make their annual rounds they deny having any property in their possession and unless the assesors can find out by any means outside of the person they are trying to assess that he has holdings against other parties they fail to get it; they fail to get any amount against them; some will give a portion of it.

By the Chairman.

Q. I would like to ask you whether you have in mind any amendment or modification to the existing law that in your opinion would cure that defect? A. I don't know of any but one, and that would make each individual his own assessor under oath.

By Mr. Guenther.

Q. That is the listing system? A. I know of no other way to meet it otherwise; if a person whom I might approach to find out the property he had for the purpose of assessment would deny having it, and I, as assessor, had no way of finding it out, and the difficulty of finding out who owns the obligations, I can not see any way unless you have the man himself testify.

By the Chairman.

Q. You say that those people deny having the property when the assessor comes around? A. Yes, sir.

Q. Do you think that with such people you would reach their property if they were called upon to make a sworn statement? A. I don't know as they would; you might meet them too late.

Q. Hasn't your experience taught you that a man who will tell a lie would just as soon swear to it? A. I was going to add that to it if I had had time enough; I don't know as it makes much difference so far as the tax law is concerned whether they lie or swear to it.

Q. I was only trying to ascertain what your views would be as to the benefits of the listing system as to the class of people who evade taxation by lying? A. I will give you a man; when I was assessor he gave in $20,000; he had 350 acres of land; the next year he said he had increased that amount $1,000, and gave $21,000; I said to him I thought that was quite a small increase on $20,000, with interest; his presentation of that case was that his children had become owners of quite a proportion of his income, and that he himself only increased $1,000; he was a member of the church, and considered a very moral man and a great temperance man, and after that he died — a few years ago — and his personal estate amounted to over $40,000, and if it was true that he had but $21,000 when he told me he made $19,000 in two years; I don't know how we are going to meet them; it is a question beyond my ability to decide how it is to be met.

Q. Do you think the result would have been different with that man if he had the listing system? A. Yes, sir; I don't think he would have sworn to a lie; I think that as far as that man is concerned you would have got the tax, but there are some others that would do as you say.

By Mr. Hamilton.

Q. Is the sentiment of your county in favor or the adoption of the listing system? A. I have heard but a very few express themselves in regard to the matter, and I don't think over ten

persons in the county that expressed themselves to me, and they were generally more in favor of it than otherwise; I think a majority are in favor of it.

Q. Are you a member of the State Grange? A. Yes, sir; but not an official.

Q. Have you ever canvassed the opinions of the members of the State Grange as to the listing system? A. I think it was discussed at some time at the State Grange session when, as I remember it, I think there was quite a sentiment in its favor, but I don't think there was any vote taken on the question.

Q. That sentiment was based upon the idea that it would be beneficial to the agricultural interests of the State? A. Yes, sir.

Q. How is it in regard to mortgage indebtedness in your county; does that bear its share of the tax under the present law? A. I think quite a little of it, as I remarked before, escapes -- quite a percentage of it; the difficulty is that a great many persons have their property mortgaged that the assessor has not any knowledge of and they don't inquire of each and every one whether they have a mortgage on it or not, and consequently it gets passed by; when I was assessor we had a meeting of the board of assessors before we commenced our work; we passed a resolution to ask every man whether he had any indebtedness on his farm in a mortgage, and who had it; after we got started to work we found that some people were very cranky on that matter -- thought it was none of our business; and even when we explained that it was to have those persons who held the mortgage pay taxes it did not make any difference; my other two associates failed to carry out the program after they got rebuffed several times, but the result was that we increased our personal property from $175,000 in round numbers to, I think, $218,000; I know the amount on the part that I did the assessing of I got $10,000 more than on the previous year.

Q. Is it not your experience that a great part of the difficulty that arises is owing to the lax administration of the law rather than to the administration itself? A. No; not as far as the assessing is concerned.

By the Chairman.

Q. Lack of sympathy with the law on the part of the people? A. Yes, sir; that will do; I don't know as I would like to answer it on that construction either; I think that the fact is that each individual assessor feels that he is not equal to the occasion; I think there is some of it in consequence of the ignorance of the assessor; I am quite well satisfied that as far as Seneca county is concerned that we do not get as good men for assessors as we ought to get; there is no man too good to be an assessor, while we have some men of very small capacity.

Q. Isn't that attributable in a measure to the fact that the assessor does not get a fair compensation for the service he is called upon to render? A. I don't think that has very much to do with that, as long as he can get only two dollars a day, I don't think it makes any difference whether he does a big day's work or a little one, but I think he is a little longer doing it.

Q. Do you not think if they were paid more they would get a better class of men? A. That point I think you are right in.

Q. How does the provision of the law allowing a deduction for just debts as an offset operate in your county? A. It operates that in some instances they will make an indebtedness; I have heard of several instances so that they can say they are in debt, and they will tell you they owe such and such a man $300, and that included about the tax on the farm, and will say I have no money at interest, but I have got my personal property, horses and things of that sort, and, I think, the amount of my debt would cover all that with the reasonable allowance that I ought to have; I have heard of several instances of that kind.

Q. On the question of the present rate of interest; is the present rate of six per cent high enough? A. As far as I have had conversation, and that is quite a good deal on that question, and the the question has been quite generally discussed in our meetings, the idea is that the interest is too high for the agriculturist to pay; he can not afford to pay six per cent interest.

Q. It was stated in New York that there was not any difficulty in procuring loans upon real estate at from four and a half to

five per cent; has that been your experience in your county? A. I have heard perhaps twenty-five persons say that they could not get any money upon mortgage at that price; they could get perhaps twenty dollars an acre; it would not perhaps, in some cases, be more than two-thirds the amount they desired; they could get that amount at a less per cent, but to get such amounts as they desired to borrow they could not get those amounts for four and a half per cent.

Q. What percentage of the value of the lands were they seeking to procure loans on? A. Some of them wanted to get thirty dollars an acre.

Q. What would be the value of the land? A. On land worth fifty dollars.

Q. Three-fifths? A. Yes, sir; and some wanted to get thirty dollars an acre on land worth sixty dollars.

Q. Have you found that where an attempt has been made to procure a loan on three-fifths of the value it was impossible to procure money at less than six per cent? A. I have been told so.

Q. Do you say that paying that rate it is impossible to produce a fair income on the farm? A. Yes, sir; take such farms as are necessarily mortgaged; there are some farms where they are sufficiently good , and the farmers upon them are sufficiently good, they can live upon them, but they are not generally the farms covered with mortgages.

By Mr. Guenther.

Q. You are then in favor of reducing the legal rate of interest from six to five per cent? A. I should be if the law remains the same as to the person owning the property paying the whole amount.

Q. You are in favor of taxing bonds and mortgages? A. Yes, sir; and releasing the farm on which the mortgage is to that amount.

Q. You are not in favor of changing the law which permits the reduction of personal tax in consequence of debt? A. No, sir; there are some questions connected with this matter; a man is in debt on his farm; he is paying upon this amount; he ought to be

released from that; I don't see anything wrong in that; if I have a farm worth $6,000 and am in debt upon it $3,000; I have got personal property, horses, cattle, farming utensils, etc., amounting to $1,000, I ought justly to be assessed for $4,000 only, and the other man ought to be assessed for his amount; I ought not to be assessed for the $6,000, and not be relieved on account of the personal property and also assessed $7,000.

Q. Referring back to the general problem of reduction of the legal rate of interest, and taxing bonds and mortgages, in your opinion, what would be the result; who would pay the tax on the mortgage, or who would be the sufferer by reason of the reduction of the legal rate of interest from six to five per cent and by reason of taxing bonds and mortgages; would it be the borrower or the loaner? A. I thing that the loaner would be the sufferer.

Q. If you were to loan me $1,000, would you not put in the difference of the tax on the bond and mortgage and the difference in the rate of interest from six to five per cent in your disbursements, as you would the costs of a title search or the cost of drawing the bond and mortgage and other incidental expenses; do you understand the question? A. I do not.

Q. In case you were to loan me $1,000, would you not put in your disbursements the difference in the legal rate of interest and the difference in the tax on the bond and mortgage the same as you would put in your disbursements the cost for a title search, the costs for attorneys' fees and other incidental expenses, you being the loaner? A. I might do so if I could get you to be satisfied, but I don't think it would be justice on my part.

Q. You would naturally do that? A. I would naturally do that.

Q. I would be the sufferer? A. I could not get six per cent out of you; I would have to pay this amount that you speak of out of my six per cent.

Q. Would you not, as a matter of fact, if I was your attorney, call my attention to this fact that you have to pay this as a tax and that you are only going to get five per cent interest instead of six — would you not ask me to put it in the disbursements the same as the cost of a title search, etc.; and who would bear the burden in case we were to change the existing laws in the matter

of the legal rate of interest and the matter of enforcing the tax on bond and mortgage? A. Whatever expense there might be to the changing of the obligations, etc., that would be paid.

Q. By the borrower? A. He might be obliged to pay that; that would depend upon the desire of the person loaning it; it would depend upon the transaction of those two individuals.

Q. And the man borrowing has generally to cater to the man loaning? A. I think the time is past when they have got to cater as much as that; there is a little more personal property and a little more money seeking outlet.

Q. Do you know this fact that you can borrow money in certain parts of this State for four per cent? A. I have heard so; you can not do it in may county.

Q. Can not you get money for five per cent on a piece of property say at fifty per cent of its valuation? A. I have not heard of anybody doing it; they won't loan it at that per cent unless they get a larger margin.

By Mr. Hamilton.

Q. There is no margin for it at fifty per cent? A. No, sir.

Q. Do you believe that a system of State taxation by a specific tax would relieve the necessity of raising any tax for State purposes by the various counties would benefit your community? A. I would hate to answer that question, because the conditions that would bring about a result of that kind — I don't know what provisions would be used, and I would not like to pass judgment upon it until I saw the provisions; they might hurt us more than the condition.

Q. It is real property that is suffering under taxation? A. Yes, sir.

Q. If means could be devised for raising sufficient revenue other than upon real property to pay all the State disbursements, would that be a desirable change so far as your knowledge is concerned? A. I would like to answer it the same way as before; I am firmly of the opinion that taxation sooner or later comes from the productive interests of our State, and I believe from my study of the statistics that the productive industry is largely

agriculture, and what provisions might be made in the law to bring about a result of that kind might work upon us very differently from the anticipated result when we first thought of the question, consequently I would hate to give any opinion upon that question.

Q. Would such a specific tax if raised principally upon what is known as the direct succession tax be beneficial to your community? A. I think anything raised in that way certainly must reduce the amount to be raised from sources that we have not got anything from before, and it would not affect this principal I have suggested; of course, upon that basis it would very likely be a benefit to us.

Q. And desirable? A. Of course.

Q. Is there any complaint in your community in regard to the question of inequality as to taxes between the various counties? A. Yes, sir; I think there are quite a number of our people think that Seneca county, owing to the general depreciation of farm lands, is standing rather high in the scale.

Q. The average rate in your county is eight per cent? A. The average rate of valuation?

Q. Valuation. A. I think it likely stands that way upon the books; there are three or four towns that pretend to assess at the full value of the property, and then there are other towns that vary; I did not average that up yesterday.

Q. If there was no State tax to be raised by the counties there would be no occasion for this inequality, would there; the present inequality arises entirely from the necessity of raising in each locality so much for State purposes, and if that was raised by a specific tax and each locality then simply supporting its own institutions, then the question of inequality would be entirely removed? A. It would under that plan of taxation, certainly, but the question still remains in my mind similar to the other as I have expressed it; I am not entirely clear upon that; I would want to study that proposition a little before I answer definitely.

Q. How do your people of your county regard the adoption of what is know as the local option law upon the question of taxa-

tion, and thus leaving it to the various counties to determine what property should be assessable, having relation to the question of personal property? A. I have not heard it discussed at all.

Q. Have you considered the matter so as to be able to give the committee your opinion? A. No, sir; I have not studied that question.

By the Chairman.

Q. Do you know what the average rate of taxation is in your county? A. I suppose you desire to know simply upon State matters; I can give you the exact amount, but it would have to include the raising of the sinking funds for railroad bonds for which they have bonded themselves for three towns; taking that in it would raise the rate, of course; it would be difficult for me to get at the matter exactly; I think, taking those towns upon the average of the other towns that are not bonded in that way, the average would be about seven dollars.

Q. On a thousand? A. Yes, sir.

Q. Do you consider that burdensome taxation? A. All taxation is burdensome if they assess more than you can afford; then it is more than you ought to pay; it is just as burdensome as the difference between five per cent and six per cent.

Q. What is the rate in your town for all purposes? A. six dollars and thirty-seven cents this year.

Q. What was it in 1890? A. It was six dollars and forty-six cents in 1891 — six dollars and forty-nine cents last year.

Q. Now, what proportion of that is for the support of your local government? A. About one half — not quite one-half.

Q. I find, by looking at the figures in the report of the State assessors for 1890, that the aggregate amount for State taxes exclusive of schools, and the aggregate amount of school tax added together only amount to about one-fifth of the amount raised in your county by taxation; in other words, I find that the total taxation in the county of Seneca was $150,476.83; that the total amount of State taxes was $20,384.37; the total amount

of State tax for school purposes was $16,040.81, aggregating $36,405 and some odd cents, so that is only something over one-fifth of the total amount raised in your county for that year; now, would it not appear from that that the greater portion of that burden, if it is a burden, is for the expense of your local government? A. Perhaps I made an error; in the question as to local government I had reference to the town; I did not take the county expenses that are levied on the town into connection with my remark.

Q. You own a farm? A. Yes, sir.

Q. Do you own any other real estate besides the farm? A. Yes, sir.

Q. What valuation is put upon your farm by the assessors? A. Forty-seven dollars.

Q. An acre? A. Yes, sir.

Q. I mean the aggregate valuation? A. One hundred and ten acres.

Q. Five thousand one hundred and seventy dollars? A. Yes, sir.

Q. Do you recall the amount of tax that you paid on the last assessment? A. Six dollars and forty-nine cents on the thousand; the state tax would be about one-third.

Q. According to this you paid about thirty-three dollars taxes? A. Yes, sir; from offhand recollection.

Q. You contribute toward the support of the town, county and State government about thirty-three dollars? A. Yes, sir.

Q. Now, one-fifth of that is for the support of the State government and the public school system outside of what goes to the school locally, so that if your real estate was to be relieved from taxation for general State purposes, your relief would be just about one-fifth of your present burdens? A. It would appear so from the position in which you place it.

Q. My purpose of pursuing this line of inquiry is to ascertain just what relief the State can give to the farmer; in other words, the purpose of examining you gentlemen interested in the agricultural pursuits is to ascertain to what extent you are burdened

by State taxation, and to what extent we can relieve it; now, if you are relieved entirely from those figures as to State taxation, you would be relieved to the extent of one-fifth of what you now consider it; now, what would you say to the proposition relieving real estate from taxation for the support of the general State government, if such a thing can be done? A. As far as it goes, of course it would not be any detriment to the farmers to be relieved, but the great burden comes in upon the disproportion of the amount that the real estate and personal property pays for local expenses; that comes in all the way through, as far as local school tax, and everything, is concerned.

Q. Suppose the Legislature can devise means to raise sufficient revenue for the support of the general State government without levying a tax upon real estate; would you favor the adoption of such a proposition? A. I should want to know in what way it proposes to do it before I did it — the means that you are going to use for that purpose.

Q. Suppose the Legislature should conclude to so relieve real estate and to raise money for the support of the general State government from a tax upon the earnings of corporations, from collateral inheritance and direct inheritance and such other sources? A. I think as far as the inheritance is concerned it would no doubt work very well; as far as the corporations are concerned there would be a reaction that would come upon the principal this gentlemen speaks of; they would have to receive more revenue to pay that amount, and it would arrive at a heavier tax upon transportation; corporations always have some way by which they get in the amount of revenue necessary to pay their expenses; in getting that extra amount they would do it to other people's disadvantage.

Q. If real estate was relieved from contributing to the support of the general government would not that do away with all this mooted question of equalization? A. It would so, as far as the counties are concerned, that is true.

Q. Now, would not the question of taxation after that be largely a local matter? A. It would be more so than now, but

that would be done by a general law the same as now, would it not?

Q. Yes, sir; but suppose the Legislature should pass a general act relieving real estate from taxation for general purposes, and authorizing the local authorities to raise their money for the support of local government, much in the same way as they do now, would not that give some relief? A. Yes, sir; it would give relief from the amount they were exempted from paying.

Q. Well, where does the burden come in now; of course, the farmer claims that he is paying more than his just share of the expenses of government; now, where does the burden fall heaviest; is it what he is called upon to contribute to the support of the general government or the expense of his local government? A. Direct taxation as to his local government which is very much larger; he is a sufferer, as I stated before, in the first place, that the difficulty was more in getting each kind of property, real and personal, to pay its proportion.

Q. Do you favor a tax upon all kinds of personal property? A. On all kinds, of every name or nature.

Q. You believe in taxing the goods and chattels of the farmer? A. Yes, sir; if the goods and chattels of the merchant are assessed I believe in it.

Q. Do you believe in taxing stock in trade? A. Just as much as if you assess my money or my horses and cattle; that is my stock in trade; that is my capital to use, and their stock in trade is their capital to use.

Q. Don't you think that a thriving business in one of your villages in Seneca county adds to the general prosperity? A. Certainly.

Q. And does not the man that has got $10,000 invested, or $20,000 invested in a business, contribute more to the general prosperity than a man that has the same amount invested in land? A. He gets it and it is used.

Q. Does he not contribute more to the general prosperity? A. I don't see how he does; he puts that much capital into use in that locality and the people there use it for him and purchase

it of him; he makes capital of it; they ought not to support him for having that privilege.

Q. Supposing that at Ovid a company of gentlemen should locate and start a new enterprise with a capital of $250,000, would not that do more good to the locality than it would to have them come there and buy $250,000 worth of land? A. I am not positive about that; the articles that they produce would be produced by some one, and they won't have their money in there unless the proceeds are going to pay them a per cent on their money, and after they get that the people in whose locality they may locate in order to see them prosper must pay their taxes; I don't see it in that way.

Q. My opinion of it is and I want to get your view that it would add to the general prosperity of the place and would give employment to a large number of people, and put a large amount of money in circulation in Seneca county that is not now in circulation; would it not add very much to the general good? A. That is possibly so; I might draw a contrast in regard to Willard asylum, which is quite an institution, and the farmers were quite elated when it came there, and it was located there; they thought it is going to be a great benefit to them — they were going to sell all their produce, etc.; it has not proved to be true in that respect; it has proved however, to be quite true that all of the labor that there was in the county they have taken there for employment, and the farmers have had to pay at least twenty per cent higher for labor and can scarcely get it at that.

Q. That is a State institution and they have acquired large tracts of land and raised their own produce? A. No, sir; they do not begin to raise their produce; they raise a good deal, but they ship in there continually; I do not complain as far as I am individually concerned; corporations have come in from Rochester and put in 230 acres of grapes in one body, 150 in another, 150 in another and 200 in another; they have planted out over 1,000 acres, and other individuals have from ten to thirty acres, and the result of that has not been, so far as I know, to our advantage; it

has been a detriment to the whole more than otherwise, and they have placed one of them at $60,000, and the amount of each of the others I do not know.

Q. You think that Seneca county would better with a wall built around it than to have it as it is? A. No, sir; I think that everybody that comes into a community the better it is for it, and that the more diversity of industries there are, and the greater the amount in those industries it is a great benefit, but I think that each industry should stand upon its feet; that is the only difference; I am very glad that this money comes into our vicinity, but I do not want to pay them for coming there.

Q. Is it not a fact that the general benefit derived from their coming there, and from the circulation of the money that their presence brings into the community, is more benefit than the amount of tax you get out of it? A. That does not alter the justice of the tax; if they find a community in which they locate it ought to have the benefit of it; they know the benefit of their location and the benefit of their industry, and if we receive any benefit by being in proximity why it should be our good fortune; we should not be obliged to pay their taxes to receive the benefit.

By Mr. Guenther.

Q. You are familiar with the tax laws of the State? A. Fairly familiar.

Q. You have no suggestion in mind beyond the listing system as to an amendment to the present tax laws? A. I only heard of this committee the day before yesterday, and I have not looked it up in a manner to form any particular idea of that.

By the Chairman.

Q. I understand you to recommend that there ought to be an allowance for indebtedness both on real estate and personal property? A. You did not understand me correctly; I thought that all personal property and all real estate should be assessed for its value.

Q. Suppose that your farm is worth $10,000, and there is an encumbrance of $5,000 on it; do you consider that you ought to pay on the value of $10,000, or on the value of your equity $5,000? A. I think I ought to pay on $5,000.

Q. That is what I mean by allowance for indebtedness; you think that indebtedness ought to be taken into consideration, and you ought to be allowed for it? A. I do not understand the meaning of it the same as you do; as I understood it in the past, it was that if I was in debt on my personal property I would be released for that amount; on that basis I understood your question.

Q. You recommend that the law ought to be so fixed that a man would only pay on the basis of the value of his equity in the land? A. Yes, sir.

Q. Suppose your neighbor had $10,000 worth of personal property, and when the assessor came around he could truthfully swear that he was indebted to the extent of $5,000, do you think that in assessing his personal property he ought to be allowed a deduction of $5,000? A. If he had paper in his possession worth $10,000, and he was worth only $5,000, certainly he should not pay only $5,000; he had $5,000 in his paper; I had $5,000 in my land.

Q. You think there ought to be an allowance for debt in either case? A. Yes, sir; I say that nobody should pay a tax twice.

By Mr. Hamilton.

Q. Are you proceeding upon the theory that that is paying the tax twice? A. If it is assessed once on the mortgage on my farm of $5,000, and it is worth $10,000, and the assessor assesses me $10,000, and turns around, assesses him $5,000 for his mortgage, I think you get a tax twice on that $5,000; he pays a tax and I do upon the $5,000.

Q. Examine the question a little farther; you start out and have $10,000 in money and I have $10,000 in real estate; under the present law they are both subject to taxation, are they not? A. Yes, sir.

Q. And you believe properly so? A. Yes, sir.

Q. You loan me $10,000, which is a taxable asset, from which the State has a right to derive its share of support, and I give you a mortgage, do you believe that you should therefore escape taxation? A. I should think I should be made to find out what became of my farm; you started upon the proposition that this farm I have possession of is mine in fee simple.

Q. I give you $10,000 in cash, and I take the farm myself? A. You said I had the farm, and you had the $10,000; that is as I understood your proposition.

Q. I want to see how you make it double taxation: you have $10,000 in cash? A. Yes, sir.

Q. I have a $10,000 farm? A. Yes, sir.

Q. Your idea is that both of those kinds of property should pay their share towards the support of the government? A. Yes, sir.

Q. You lend what you have and take security for it? A. Yes, sir.

Q. Should that $10,000 cease to contribute its share towards the support of the government? A. You give me to understand the position; how do you get the farm?

Q. Any way that you propose; I might have inherited it or bought it? A. It is yours in fee simple.

Q. Yes, sir. A. Now, the question is if you had that in fee simple.

Q. I borrow your $10,000 and that fund which was taxable thereafter escapes taxation; is that right? A. They should both still be taxed for the reason that you are hiding the farm under cover of the mortgage.

Q. I borrow it to go into business. A. Then you should be assessed for the $10,000 that you have got.

Q. The law says it shall be declared an offset and I should not be assessed. A. That is all right.

Q. You believe that the two funds whether they are real or personal property should be assessed wherever they are found? A. I don't think you can change that in that way; it is possible you may do it, but in justice it ought not to be allowed.

Q. Do you believe that personal or real property should be assessed wherever it is found? A. I believe that the amount of personal or real property should be assessed; now, you change over the matter; you take away a $10,000 farm and turn it over to him for his $10,000, then you retain possession; it is the money that is being assessed; it is not the individual.

Q. Whose money is that has gone in the business? A. After you have had it in your business it is yours.

Q. If it is mine I can give it away? A. It is yours as far as use is concerned in that way; I don't think you can hide property fairly and justly.

Q. Are there any instances in your community where capital has been driven from the State by taxation affecting corporations? A. Not that I know of.

Q. Have you any suggestions to make in regard to existing laws or new laws — which will increase the revenue of the government? A. No, sir.

Q. Have you any other suggestions to make on any question which has not been called to your attention by the committee which will affect taxation? A. No, sir.

Newton H. Green, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you reside? A. South Byron, Genesee county.

Q. How long have you resided there? A. I was born there.

Q. What is your occupation? A. Farmer.

Q. How long have you been so engaged? A. All my life.

Q. Do you own a farm? A. Yes, sir.

Q. More than one? A. Only one.

Q. Have you been in public office connected with the question of taxation? A. I was assessor, quite a good many years ago I was supervisor.

Q. How long were you supervisor? A. Five terms.

Q. And assessor? A. I was assessor, I think, two terms — six years — a good many years ago.

Q. Have you given attention to the question of taxation? A. Somewhat so.

Q. Are you a member of the State Grange? A. I belong to a subordinate grange.

Q. And have for how long? A. Two years.

Q. What have you to say as to the propriety of modifying the present laws relating to taxation, assessment and interest, so far as they affect the agricultural and other interests of the State? A. I should say this, modify the existing law so as to raise a sum sufficient to pay the State tax by the modification or continuance of the collateral inheritance tax or corporation tax, and leave the question of local taxation to each county; then, I think we can correct the question of equalization.

Q. Does that sentiment prevail in your county? A. I think so; it is growing; the question has not been discussed until quite recently, but it meets with general favor.

Q. They recognize the fact that the inequality which occurs now would thereby be abolished? A. Yes, sir; we feel that in our county, particularly where the State Board of Equalization added to our county something like 3,000,000, a small county like that.

Q. It is charged that you are assessed about fifty-five per cent? A. Yes, sir.

Q. What cause, if any, can you ascribe to the depreciation of farm land in your county during the past twelve years, about one-third? A. It is to the lessened receipts, I suppose.

Q. How far has the question of taxation contributed to that effect? A. Not so seriously, I think; taxation is not oppressively high in our county.

Q. How is the market for land in your county? A. Practically no market; in fact, none except an occasional case where a foreclosure or division of an estate by the heirs.

Q. On the question of taxation in regard to personal property does it escape its just share of taxation in your county under the present law? A. In portions of our county perhaps it pays

but a very small per cent; in our town there is not much escape; there is not much personal property aside from the farmer's tools, which I think should not be taxed.

Q. But money and capital? A. In our town I think forty to fifty per cent — perhaps fifty per cent of the personal property pays tax; I think in some towns in the county, in the wealthier towns, I should presume a large amount escaped taxation.

Q. Is that principally in mortgage indebtedness or other forms? A. There is some mortgage indebtedness, but the large amounts loaned upon farming lands in our locality are held by the savings banks; of course, there are individual mortgages, but the bulk of it is there.

Q. Is this evasion of its share of tax by personal property attributable to the present laws or the enforcement of them? A. It is a long established custom; the laws are good enough if enforced; if an assessor follows up personal property too close he may not be elected.

Q. Would the question of election of assessors, if avoided, remedy the difficulty? A. I think it would hardly; as I said before, give us an opportunity to raise the money to pay our own taxes and no more and we would correct that inequality.

Q. You believe that would be the solution? A. I think so.

Q. Is the sentiment of your community in favor of the adoption of the listing system? A. It has its advocates, but not a majority of our people.

Q. What is your opinion? A. I should not favor it as applied to an agricultural community.

Q. As to the question of interest; what is your idea as to the present rate? A. The opinion prevails that the earning power of money at five per cent is greater than an investment in farming lands; a majority of the farm lands in our section do not pay three per cent on the value; they do not pay five per cent on the assessed value; I can safely say that.

Q. Net or gross? A. Net; I have heard people say that is only about fifty per cent of actual value.

Q. How does the present rule allowing the deduction for indebtedness in your community take in regard to the question of taxation upon personal property? A. It has its influence, I suppose, to reduce the amount.

Q. Is it used as a shield to evade the payment of taxes? A. Not particularly.

Q. Why is it that personal property escapes in your county if the law is ample and if evasive means are not employed? A. It is inherent in human nature, I suppose, to escape payment of taxes on personal property: it has always been so far as my observation goes.

Q. Your idea is that each county should raise its tax for its own need; would you include in that what is known as the local option law? A. No, sir; I have never given that my observation.

Q. That is a law which provides that each county shall determine at what rate it shall be assessed? A. I suppose that might follow when the State tax was paid by collateral inheritance and corporate tax; each county would certainly know who paid it.

Q. Do you believe that the community in which you live would be in favor of an increase of the inheritance tax to a sufficient degree to pay all the taxes for State purposes? A. I don't think I should favor that wholly, because I should think there would be some derived from the corporation tax which would be as just as the other.

Q. Do you think that a proportionate increase in the inheritance tax together with other interests would be desirable in your community for the purpose of paying the State tax? A. Yes, sir.

Q. Do you believe that the sentiment of your community would support a tax upon inheritance on real estate which is now exempt? A. I should question that; my attention was called yesterday by the county clerk; he called my attention to a case where it was being passed upon where I thought it was practically an injustice; I should hardly want to commit myself in favor of that.

Q. Are you giving us the result of your conversation with your neighbors or the community, or simply your personal idea on that question? A. I should be in favor of increasing the tax; for instance, these large estates I think they could afford to pay more than they are now paying.

Q. You believe in what is known as a graded tax? A. I should.

Q. The present inheritance law exempts real estate in the direct line of succession; would your community favor an amendment imposing some tax upon that? A. I hardly think it would.

Q. Do you know of any case where capital has been driven from the State in your community by reason of the restrictions affecting corporations? A. No, sir.

Q. Have you any suggestions as to amendments to the present law or new laws which will increase the revenues of the government? A. Only so far as I have outlined in regard to the inheritance tax and corporations.

By Mr. Guenther.

Q. Do you believe in taxing bonds and mortgages? A. I can not say that I do.

Q. In the event of reducing the rate of interest from six to five per cent who could stand the burden of that reduction; would it be the lender or the borrower? A. I would say the borrower will always be a slave to the lender; of course, the same objection was made when they reduced it from seven to six that they make now in going from six to five.

Q. It depends largely on the maker of the loan and the value of the risk? A. Yes, sir; if a man has ample security he can in a measure dictate terms.

Q. Is there any difficulty for you to go to Buffalo or Rochester to get a loan of fifty per cent value of the farm, the interest being five per cent? A. Except they are a first class loan and at a low valuation.

Q. You do not think it would be advisable to lower the rate

of interest five per cent and then tax the mortgage as well? A. I don't believe that would work to the benefit of the man that gave the mortgage, as a rule.

Q. Then you would recommend that the system of collecting State and local taxes be divorced? A. I think so; I think it would be a benefit.

Q. What would you say to so amend the law that real estate would be relieved entirely from taxation for State purposes and also for school purposes so far as the State was concerned, and leave the expense of the education of the children to the localities? A. Well, perhaps that might be unfair; of course, theoretically, perhaps, it would be fair, but practically it would be unfair; I think it would.

Q. Suppose that the real estate of the county of Genesee was relieved from contributing anything towards the support of the State government, would it not seem to be fair and equitable that they should defray the expense of their own local government, including their school system? A. Yes, sir; as I said before, it would seem so, but practically whether it would be so or not I somewhat question.

Q. I did not ask the question with a view as to whether it would be satisfactory to the people of any particular county; I asked it with a view of getting your better judgment as whether it would not be fair and equitable that each county should take care of its own local affairs, and should bear whatever burden such care devolved upon it? A. I think if that condition of things existed we should correct many inequalities of the present system of taxation.

Q. In other words, if we are to raise revenues for the support of the State government from sources such as we have discussed — tax on corporations, inheritances, etc., can you conceive of any idea why the county of Westchester should contribute any more school purposes than is actually necessary to maintain her own school system? A. Just as much as you could with the same propriety whatever she now contributes to the support of the

State government; what I mean by that is that certain localities, by being centers, accumulate wealth; for instance, by the power or rights or privileges of certain franchises, and that the whole State is interested and the earnings or dividends should go back over the whole State.

Q. But we have proposed to tax those corporations and companies for the support of the general government? A. As to local expenses each to pay its own.

Q. You agree, however, that the State educational institutions, normal schools, for instance, the State ought to pay for them, because it is for the general good; but the education of children in the public schools is entirely a local matter, is it not? A. You may take the district school as it is, but when you go to those union schools — expensive schools — almost universities, you might say — I don't know that they are legitimately and properly a local tax.

Q. But are not the union free schools expensive simply because the people living in the district have so willed? A. It is notorious to-day that the maintenance of a little district school in our district that had pupils not to exceed ten for the entire season cost more to maintain than it did thirty years ago for our county and State taxes.

Q. Then your idea would seem to indicate that if the expense of maintaining the school system was entirely a local one that it would lead to economy? A. I think so.

Q. And that this idea of leaning upon other communities for support breeds extravagance? A. I think so.

Q. Do you think the people of Genesee county would be entirely satisfied if their real estate was relieved from the burdens of taxation for State purposes, and if they were also left to maintain their own schools? A. That is an open question; I do not know as they would be satisfied, because there are always chronic grumblers.

By Mr. Stranahan.

Q. Would not they regard it as a bad trade to get rid of the payment of State taxes and assume the burden of their own schools? A. I am inclined to think they would; yes, sir.

Q. You spoke of a large portion of the mortgages being held by the savings banks in your county; what have you to say with reference to taxing deposits in savings banks? A. I don't know as that would be advisable; we have no savings banks in our county.

Q. What is your idea with reference to the popular sentiment upon that question; should they or not be taxed? A. I hardly think that would be the sentiment; you mean the deposits?

Q. Yes, sir. A. I hardly think that would be the sentiment.

Q. What would you think of a policy of raising the money necessary for the State government by putting a small tax upon the bonded indebtedness of corporations, say one mill on a dollar, ten dollars on ten thousand? A. I don't know anything wrong about that.

Q. Do you think that would be a proper place to impose an additional burden for the purposes of taxation? A. I think it would reach a large block of money that escapes now.

Q. Are you at all familiar with the bill that has been favored by the comptroller for the last two or three years on that subject? A. I have not given the subject a great deal of thought.

Q. In what direction do you think the present inheritance laws should be amended in reference to taxation? A. Increase it on large sums.

Q. Direct inheritance or collateral or both? A. Both; that is, on personal.

Q. Now, I believe the direct inheritance in cases of over $10,000 is taxable one per cent? A. That is so.

Q. What would you make that? A. I would graduate it.

Q. Do you think that smaller sums than $10,000 should be taxed? A. No, sir.

By Mr. Guenther.

Q. What do you think about taxing the surplus of savings banks? A. I think if you did they would build less palatial institutions throughout the country; I think the surplus belongs to the State in one sense; if you can not get it any other way tax it.

Leonard Burritt, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you reside? A. Spencerport.

Q. Monroe county? A. Yes, sir.

Q. And your business? A. Farming.

Q. How long have you been so engaged? A. A great many years.

Q. You have also been a member of the board of supervisors of your county? A. Yes, sir.

Q. For what time? A. Nine or ten years.

Q. Have you acted as assessor? A. Yes, sir.

Q. How long? A. That might have been ten years.

Q. You also acted as representative in the House of Assembly A. Yes, sir; some years ago.

Q. How many terms? A. Three terms.

Q. Are you a member of the State grange? A. I am a member of a subordinate grange.

Q. Have you given attention to this question of taxation in any of its various forms? A. Yes, sir; perhaps as much as the average farmer; I don't claim to be an expert, however.

Q. Your experience has called you directly in contact with the question? A. Yes, sir.

Q. What have you to say as to the propriety of modifying the present laws regarding taxation, assessment and interest so far as they affect the agricultural and other interests of the State? A. If the commission will allow me I will say that from my study of the question I should adopt either one of two plans that I should get the Legislature to carry out; as I read the tax laws now they appear to be explicit and plain, and if I could by any influence induce the assessors to assess all property of the State of New York, I do not think the farmers would complain of the assessment laws or of taxation; if that could be done under our present law I should favor that; let all the property of the State of New York pay its proportion of the burdens of the State; if that could not be done under the present law; I would favor corporations of the State of New York paying the State taxes, and let the counties take care of their expenses as they saw fit.

Q. Is it your experience that a large portion of the property in the State does not pay its share of taxation? A. I am not a financial man, but I must say when the financial officers of the State of New York tell the Legislature in about as plain language as it can be put that about two-fifths of the property of the State of New York escapes taxation I am inclined to believe it.

Q. You are referring now to the report of the Comptroller and State Assessors who claim that the amount of personal property in the State is practically equal to the amount of real estate assessed? A. I have perhaps no better evidence than their report.

Q. Does this property escape owing to the present condition of the laws or to the lax administration of them by the assessors and other officials? A. There has been an encouragement in my view on the part of the Legislature to allow business interests to escape; it is one of the ideas that not only pervade the Legislature, but it pervades the communities: it is thought that anything that can be done to encourage the building up of business for the benefit of the country and perhaps the general community; there has been a disposition to give that particular encouragement by escaping all assessment and taxation until the assessors perhaps have had a disposition to slide over a class of assessments, and the general community, because they are looked upon as a particular encouragement to their village or general community.

Q. Then your view is it is owing to an insufficient enforcement of the law? A. Yes, sir; that is it in a word; it is a matter of a good deal of doubt in my mind whether a full assessment of all the property in the State that may be liable under the law can ever be enforced under this system; in order to do that you must start anew.

Q. What methods occur to you to bring about the necessary exchange in that respect? A. I don't think it can be done.

Q. You do not think that legislation could cover that? A. No, sir.

Q. As to the taxation of mortgages, what is the sentiment of your community as to that? A. I think the general sentiment of Western New York is that they should pay their share.

Q. What is your opinion as to whether or not they do pay their proportion? A. As remarked by Mr. Green, there is quite a large proportion — I scarcely know just what proportion — held by savings banks; the Rochester Savings Bank must be holding 15,000,000, I should think, of real estate securities.

Q. Apart from the mortgages held by savings banks? A. The loan associations of Rochester have been loaning money more than the savings banks for the last five years; I don't think they are assessed; possibly they may be assessed for local improvements, but I don't think they are for general purposes, and the individual mortgages, possibly, ten per cent of them are assessed, and the others escape one way or another.

Q. What are the sentiments of your community in regard to the present rate of interest as to whether any change should be made in the rate? A. The general sentiment would be that there should be a change.

Q. In what direction? A. To five per cent; I don't think any other change is contemplated, is there?

Q. A change was suggested by not making any legal rate, but leave it to private agreement; how would that strike you? A. Twenty years ago it would have been a good thing.

Q. Considering it from the standpoint of the present day, what do you think of it? A. Well, it is a fact that good security now secures money at five per cent; if a gentleman successful in business in this country can secure money at five per cent, why should not a farmer, who is struggling along under a load which it is a question whether he can get out of or not — why should he not have five per cent?

Q. But my question was, what would you think of wiping out the question of legal rate of interest altogether, and leave it to the borrower and the lender to fix it by agreement? A. I am speaking as a farmer.

Q. I ask you as a farmer? A. As a farmer, I don't think the farmers would approve of it at present; it is a fact well known that the general farming interests, in Monroe county for instance,

and as you gentlemen know Monroe county is as good an agricultural county as there is in the state; it is so good a county that the farm lands of Monroe county are assessed to-day at seventy dollars an acre throughout; I give you that fact; notwithstanding that there are a great many of them who are in debt, and wherever there is a chance for the lender to call in his obligations he is quite liable to do it, because he wants better security; you can readily understand that all that kind of securities are at six per cent, and all that kind of men want five, and they are a pretty large part of the man.

Q. You think if the law did not fix the rate that the farmer would have difficulty in obtaining a loan at even the rate of six? A. Yes, sir.

Q. And that it is to the interest of the farmer that there should be a fixed rate, judging from the present day? A. There are so many of the securities against real estate to-day that the local institutions and the lenders would a great deal rather have the money than the securities; that it would not be possible for a man for one-half of his farm value to get any kind of a loan on that security.

Q. The condition of the farmer to-day in the State of New York is not as good as it was some years ago, is it, upon an average? A. Just as good for living, but they can not pay any debts; we raise all we want to eat, and buy as good clothes as we can, but we can not pay debts, because our income is so reduced, owing to the question of competition perhaps more than anything else.

Q. That is why I asked you whether the condition of the average farmer was as good; I had in mind of course his financial situation — whether he is as prosperous to-day on the average as he was fifteen or twenty years ago; is his earning capacity as great on the same farm as it was fifteen or twenty years ago? A. No, sir.

Q. The indebtedness of the farmer has increased? A. I don't think farming indebtedness has increased within five years much.

By Mr. Guenther.

Q. Is it not the case that the condition of the farmer to-day financially is not as good as it was fifteen or twenty years ago; that it cost more to run the farm than it did fifteen years ago? A. No; it don't cost any more.

Q. Machinery, etc.? A. Yes, sir; we pay more for machinery, but by machinery we employ less.

Q. Is that a fact? A. Yes, sir; if it was not a fact, at the present wages we could not do it.

By the Chairman.

Q. Has not the farmer in the State of New York suffered somewhat from the tendency of the boy as soon as he grows up to go to the large business centers? A. They do go.

Q. Has not the farmer suffered somewhat from that tendency? A. Well, as I said before, the improved machinery for working the farms has measurably compensated for the loss of the boys; if we have much of a boy he don't stay there.

Q. There is not that working together on the farm to-day on the part of the family that used to be years ago? A. Not with the American born citizen.

Q. The farm is getting a little too slow for them? A. The farm is all right, but the products don't bring much.

Q. My opinion was that by reason of that tendency of the boy to leave the farm and go to the business centers that the farmers suffered by being compelled to hire labor in his stead; what is your opinion as to that? A. You are correct in that view of it, only as this deficiency is corrected by more improved machinery.

By Mr. Guenther.

Q. Does that improved machinery cost so much that it takes so much of the farm's earnings, and the continual repairing of it? A. Yes, sir; it is one of the items of expense, and a very important one, but we are getting machinery cheaper as the years go around.

Q. Is it not a fact that the reasons enumerated by the Senator that as to the son going away and the fact of western competition have more to do with the depreciation of the farm property than the tax levied by the State upon them? A. That may be in individual cases.

By the Chairman.

Q. You think that the present condition of the farmer is attributable to the fact that he has been compelled to contribute towards the support of the State government? A. No, sir; not to any great extent.

Q. Suppose that for the past twenty-five years a farmer had not been called upon to contribute anything to the general State government that there would have been any perceptible change in his financial situation to-day for the better? A. I don't know why it should not have had the same result as it would by the increase of an income from any other source to that extent.

Q. But the average annual contribution of the farmer towards the support of the State government is so little that I suppose that he would not at the end of a period of years be very much better off; that this small amount he would have contributed would have been swallowed up by some other means? A. It might have been swallowed up by some other expense.

Q. And if he had the aggregate of all he had paid towards the support of the State government to-day it would not relieve him very much? A. It would pay so much debts with three-fourths of them.

Q. You don't think his present condition is attributable to that to any extent; it is not the burden of State taxes that has put him where he is? A. Not wholly; but there is just about the same principle, just about the same principle that governs or actuates the human nature of a farmer as it does with some other people.

Q. Don't the other people pay their State taxes? A. Certainly, but the Comptroller says there are two billions of it don't pay; we know we have two billions of property in this State which

is liable and if you people down there can make it pay it relieves our burden two-fifths.

Q. One of the witnesses who preceded you testified that his contribution towards the support of the State government was about six dollars on 110 acres of land? A. It must have been mighty poor land.

Q. I find that the taxation in your town is very low — in 1890 — in the town of Ogden; what have you to say about the valuation of land; it was valued at what? A. Seventy dollars an acre.

Q. Now, what is the average basis of valuation by your assessors on the dollar? A. Fully up to eighty per cent — eighty-five perhaps.

Q. I find that the rate of taxation is not much over one-half of one per cent in your town. A. No; we have no complaint to make about our county; I think there are but two counties in the State that are lower; we have got Rochester in with us too.

Q. Do you not consider that is an exceedingly low rate of taxation? A. Yes, sir.

Q. Are you familiar to any extent with the rate of taxation paid in the cities of the State? A. Only as I have noticed it from the reports; I see the counties run all along from six dollars on a thousand up to twenty.

Q. You know that in the city of New York the present tax rate, while it is the lowest in a great many years, is now 1.85.? A. Yes, sir.

Q. And in the city of Brooklyn 3.25; do you not think the burden falls much heavier in cites than in the country? A. I don't know that they pay any more State tax than we do on a dollar, and if they are paying eighteen dollars on a thousand that is because they may be considered very largely in the nature of assessments for their own individual benefits.

Q. Do you own any other real estate than your farm? A. No, sir.

Q. How many acres of land have you got assessed? A. From 150 to 160, I guess

Q. Are you valued on the basis of eighty dollars an acre, or is it an aggregate sum A. The general rule of the assessors

is to assess farms by the acre; that is, they value them by the acre.

Q. How is it in your case, do you know? A. By the acre.

Q. Do you know what the aggregate valuation fixed by the assessors is? A. Fifteen thousand dollars or $16,000, perhaps, something like that; my farm lies in a pretty good location and they put it up.

Q. Do you remember the amount of taxes you paid last year for all purposes? A. I think it was a trifle over sixty dollars last year; I will be compelled to pay twenty-five dollars more this year.

Q. According to the table laid down by the board of State assessors, your contribution to the State government last year was about twenty-one dollars; the rest of your taxes was for local purposes? A. A good deal more than that; last year was a remarkable year; I hesitate to base any evidence in the interest of farmers upon the last year's statement, because, as you know, the State tax last year was remarkably low; this year it is about $100,000 more on Monroe county.

Q. Can you recall what you paid in 1890? A. It was about ninety dollars.

Q. A difference of $100,000 added to the State tax of Monroe county would not add one-third to your taxes? A. No, sir.

Q. It would not make the difference between sixty dollars and ninety dollars? A. Last year it was something over sixty dollars, and I think it was a dollar or two below ninety dollars the year before; I have not made any figures about it, but I think the addition this year in the State tax over last year is in the neighborhood of twenty per cent.

Q. Now, my purpose for asking you those pointed and personal questions is with a view of taking your own case for the purpose of ascertaining what relief the farmer can have provided all this property that you say is escaping taxation should be actually taxed; now, on the basis of the highest assessment that you have mentioned that you paid your contribution to the State would be about thirty-three dollars; now, what would you favor,

a continuation of the tax upon real estate for the purposes of the general government and assessing all this personal property that you speak of, or would you favor releasing real estate from the purposes of taxation for State government altogether; in the one case you would be relieved to the extent of thirty-three dollars in your case, and in the other by taxing two-fifths of the personal property that escapes you would be relieved to the extent of about thirteen dollars; now, which would you favor? A. You put it as a financial question?

Q. Yes, sir; which would give you most relief; which would you prefer? A. I should say, let the corporations pay the State expenses, provided the State expenses remain as they are now; that is, with the general expenses and schools, canals, etc.

Q. Now, you did say something about the school question; would you be in favor of making that entirely a local question, leaving the localities to support schools and educate its own children? A. Some of the central counties, perhaps, pay more than their share of the school tax, and the balance get the advantage; in those particular counties there might be some advantage if we should pay all the school expenses, but as a financial question, so far as I am concerned, I should say, if those corporations will take care of the State expenses we will take care of our local affairs.

Q. Including schools? A. Yes, sir; I want to qualify that in this way; I am speaking for Monroe county when I say that; we are about up and up even on that question; it would not make any difference to us.

Q. You give about as much as you receive? A. Yes, sir; but I can readily understand that there are many counties in the State that would make serious objections to that, because they are receiving more than they are paying.

Q. Getting something for nothing, in other words? A. No, sir; do not get that idea; there are a great many expenses of New York city, for instance, as a city of the State of New York, that come in as State expenses.

By Mr. Guenther.

Q. For instance what? A. I won't attempt to name them.

Q. They build their own armories? A. Certainly.

Q. What is there that the State contributes towards New York city; they maintain their own normal school; they maintain their own public institutions; their asylums for the care of the insane; you have State care for those everywhere else but not in New York? A. Perhaps I was hasty in making that suggestion, but that was my impression.

Q. You said you were in favor of reducing the legal rate of interest from six to five per cent and also in favor of taxing mortgages? A. Yes, sir.

Q. In the event of changing the law — reducing the legal rate of interest — and in the event of mortgages being taxed, who would stand the burden, the borrower or the lender; out of whom would that come in your opinion? A. That would be governed entirely by the circumstances of the loan; as a general principle, the lender would have to stand it, but the borrower has generally to pay for the loan.

By Mr. Hamilton.

Q. Is the sentiment of your community in favor of a listing system? A. No, sir; I would like to say a word to you on the question of listing; now, it is a most remarkable fact that the farmers who have a dollar's worth of personal estate, it is running over their place where every assessor can see it, and could not possibly escape under the listing system, while a man who does not own cattle and hogs, has got it in his pocket out of sight; the experience has been wherever they have adopted that listing system that the farmers are the ones that have paid, and they can not escape.

Q. Is the sentiment of your community in favor of the continuation of the allowance of personal indebtedness as an offset on the tax on personal property? A. I should have to ask your indulgence to say a word about that; if you gentlemen or the gentlemen in Albany can tell me any reason why personal

indebtedness should be exempt for taxes any more than indebtedness on real I would like to hear it; I don't believe there is any advantage in the owner of real property over those that own personal.

Q. Then your view is that the sentiment of the community is opposed to the continuation of that exemption? A. We are in favor of the exemption for indebtedness on real property if it can be done, but I can readily understand that under the present system of assessment it could not be done.

Q. You believe that if allowed on one it should be on the other, or not allowed on any? A. Yes, sir; that is one of the points on which we farmers ask to be placed on a fair basis with the other business interests of the State of New York; we do not feel that under the information we get and the reports that come to us officially that we are on a fair and equitable basis as regards this question of taxation; we simply want to be put there, and anyway you people can do it will be satisfactory to the farmers; there will be no cause of complaint; and this old question comes up when you say the State tax is a very small matter; that principle holds good when this other fellow escapes and we pay, and we are very liable to sit on the fence and speak of it.

By the Chairman.

Q. Does not the farmer lose more by giving his time to the agitation of this question and discussing it than the amount of tax that he has to pay? A. I admit it, sitting on salt barrels.

Arvin Rice, called as witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you reside? A. Fulton, Oswego county, New York.

Q. And your business? A. I am a lawyer.

Q. Are you also connected with the savings banks? A. I am, with the Fulton Savings Bank.

Q. How long have you been so connected? A. Ten years.

Q. In what capacity? A. I have been a director for that time and vice-president.

Q. Have you read the resolution under which the committee is now acting? A. Yes, sir.

Q. Have you at any time held public office where the question of taxation was drawn to your attention? A. I was supervisor in our county for several terms.

Q. What have you to say as to the propriety of modifying the present laws relating to taxation, assessment and interest so far as they affect the agricultural and other interests of the state? A. I speak mostly from my own knowledge and opinion formed, as I have been in business and done public business, more than I do from the opinion of others perhaps; my own opinion is that personal property is not taxed to any amount in our vicinity; national banks, the stockholders pay larger than any other kind of personal property, that is the bulk of personal property in our county that pays tax.

Q. What is the cause that produces this result of the escape of taxation on personal property? A. It is largely due perhaps to the inefficiency or inexperience of the assessors, and the tendency of people to shirk it; if the assessors put it on a man he will come in and swear it off.

Q. What remedy can you suggest to avoid that difficulty? A. I do not know of any remedy; I can not think of any law that would make a man swear to the truth.

Q. Does no remedy suggest itself to you whereby the extent of personal property could be ascertained without the necessity of relying solely upon the oath of the party interested? A. I have not thought of any.

Q. In regard to the question of taxation of mortgages, what have you to say? A. This question of whether the owner of the land and the owner of the mortgage should both pay?

Q. Yes, sir. A. Well, the general opinion of people, especially those that owe the mortgage, is that it is unjust, and that if there is an exemption for taxation on personal property because a man owes debts it should be on real estate also.

Q. And that feeling grows out of the fact that personal indebtedness is allowed as an offset? A. Yes, sir.

Q. And if it were equalized by applying the same rule to both, either have no exemption or both exempt, that evil would be corrected? A. I do not think that would satisfy the people who owe the debts; it would satisfy the lenders but not the borrowers.

Q. Would not that relieve estate very largely? A. I don't think so, I do not think that would be the result.

Q Would it not have that result if that amount were deducted? A. That might relieve real estate some; yes, sir.

Q. On the other hand, if there were no exemption allowed, for personal debts, would it not so increase the tax rates as thereby to decrease the taxation on real estate? A. You can not get personal property except one or two classes in our vicinity.

Q. What classes are they? A. That is the national banks.

Q. What other class? A. You can get visible personal property like stocks of goods and things of that kind; the merchants in our town are assessed as personal property on their stock.

Q. Is the sentiment of your community in favor of the listing system? A. No, sir; I do not think so.

Q. And still no remedy suggests itself to you by which that evil can be corrected? A. I don't know of any way; I can not think of any way; you never can get personal property and make it stand its proportion or share; I am personally of the opinion that you had better leave it off entirely and tax the real estate that you can see.

Q. In your experience with savings banks what have you to say as to the present rate of interest in this State? A. I hardly think the time has come yet for reducing it; of course, if the things run for the next few years as they have for the last three or four it will come to be reduced to five per cent.

Q. The law of demand and supply will of itself cause the reduction? A. Yes, sir; I have a personal view about that too; my idea would be to make a rate that you can not go beyond, and let them fix the rate by agreement, say ten per cent; that should be the legal limit, and let them agree upon the terms according to the security they can give.

Q. What is your experience in regard to the interest that is paid upon mortgages on real estate in your locality? A. All small mortgages pay six per cent; a mortgage of $5,000 and upwards can be placed at five.

Q. Any lower than five? A. I do not know of any; I presume if a man wanted $40,000 or $50,000 he could get it at four and a half.

Q. Explain what it is that holds the rate of interest higher in the case of small loans? A. It is the trouble of looking after them and taking care of them; it is just as much trouble for a man to have a $500 mortgage as a $5,000 mortgage, and a $5,000 mortgage would be liable or probable to run a greater length of time and to be a permanent investment; a large mortgage would probably have the interest paid promptly and regularly, while a farmer with a small loan on his farm is apt to be from a month to three months behind, complaining of his crop; that he has not cut his tobacco yet, etc.

Q. Is your community a large farming community? A. Yes, sir.

Q. Have you had much experience with them in that connection? A. Yes, sir; farmers have had very hard times for the last three years; farms, I think, decreased during the last six years fifty per cent.

Q. Is that depreciation in any way attributable to the tax laws of the State? A. I do not think so.

Q. To what is that attributable then in your judgment? A. It is the same as it is in the eastern States; the west has furnished cheap land and large crops, and we can not produce grain, wheat, oats or corn or beef here to compete with them; there is no market; seventy-five cents a bushel for wheat; farmers can not raise it.

Q. That evil is beyond remedy by legislation? A. I do not think legislation can help that.

Q. In regard to the question of the equalization of taxes between the various counties, what have you to say? A. I have devoted

more attention to that, perhaps, while I was supervisor than any other part of the taxation; my judgment is it will always be a ground of complaint as long as we have to do it.

Q. Then your judgment is that some means should be devised that would avoid the necessity of raising in different localities any tax for State purposes? A. Yes, sir; our county would be pleased to have the State tax taken care of in some other way.

Q. In the event of that result being reached, what is the sentiment of your community as regards the local option tax law? A. That has not been discussed and was not at the time I was with the public officers.

Q. Based upon your experience, what have been your views in regard to it? A. I think the feeling is they would like to try it.

Q. What is the sentiment of your community in regard to the succession or inheritance tax? A. Rather unfavorable; the people are not used to it, and when you come to a tax on direct succession they are inclined to grumble about it; the law is uncertain yet; there are different constructions placed upon it, and they do not understand how it is going to hit.

Q. That is the reference to the law of 1892? A. Yes, sir.

Q. Do you know of any instance where the cpaital has been or is driven from the State by reason of the restrictions affecting corporations? A. No, sir; I do not know as I do; there has quite a good deal of capital gone from our vicinity to western States to be invested.

Q. Owing to the higher rate of interest? A. Yes, sir; and getting rid of their personal property taxation; they hide it that way.

Q. But as peculiarly applicable to corporations you know of no instance? A. No, sir.

Q. What have you to say as to a change or modification in the existing laws for the increasing of the direct revenues of the State government? A. I don't know in what particular line the tax should be increased.

Q. The suggestion which has been frequently made by the Comptroller of the State; tax corporate indebtedness which would

bring some $2,000,000,000 within the range of taxation by the State laying a light, specific tax? A. I think that the people rather favor something of that kind; my own idea had been that perhaps some sort of income tax, or something of that kind, could be made.

Q. Is the sentiment of your community favorable to an income tax? A. Perhaps not; but my own thought on the subject had been it was a very fine way to get revenue; small incomes no tax, and as they grow larger, tax them heavier.

Q. Have you considered the question of taxing savings bank deposits? A. Yes, sir.

Q. In your experience in connection with such banks what is your opinion in regard to that question? A. I think it would injure the banks, and I do not think it would produce such revenue.

Q. In what way would it injure the banks? A. People would put their money in some other way and would withdraw it from the banks.

Q. You think it would tend to decrease the habit of savings on the part of the people? A. I do.

By Mr. Guenther.

Q. For whose benefit is the surplus held in a savings bank? A. For the benefit of the depositors, I suppose.

Q. Do you know of any case where the depositors ever received any benefit from it? A. I never heard of such a thing.

By Mr. Hamilton.

Q. What disposition, if any, is made of the surplus? A. It is simply kept invested by the bank as far as I know.

Q. And the only use to which it is put is on addition security for the depositors? A. Yes, sir.

By the Chairman.

Q. Is not that the best possible use to which it can be put? A. I suppose so, perhaps.

Q. Suppose I make a deposit in the Fulton bank; I know when I put it in that bank I am to get three and one-half or four per cent, and that the bank will not hold out that it will pay any more; well, my money remains invested in your bank and I get three and one-half per cent; when I get ready I draw it out; I have got all that I am entitled to, have I not? A. If the money has earned more perhaps you are entitled to more.

Q. The bank does not agree to pay any more? A. As I understand the law the bank can not agree to pay anything.

Q. It is well understood that the banks are paying so much interest on deposits? A. As I understand it unless they earned it they could not divide four per cent.

Q. Do you hold then, that they have got to divide all they have got? A. No, sir; I do not think the law says so, but I think they can not exceed what they do get; they are not obliged to divide it all.

Q. If the depositor gets his interest semi-annually what property interest has he got in those surplus earnings beyond the security that it gives for his deposit? A. It is his money that helps to earn it.

Q. The same as parties forming a partnership? A. Yes, sir; it is his money that has earned the surplus and he is more entitled to it than anybody else; that is all.

Q. He gets interest for the use of his money, and his money is in safe keeping for the time being; he does not do anything towards running the institution except making his deposit for his own especial benefit? A. There is no one else more entitled to it than he is, or as much; there is no bargain when he puts it in that he shall be satisfied with four per cent, as when I put a mortgage on my house.

Q. But the institution itself must be run; its operating expenses must be met; there is not any agreement with him that he shall contribute to those; at the same time they must come out of the earnings of those deposits; now, why do not the surplus earnings belong to the bank? A. There is nobody represents the bank except the people of the State of New York.

Q. It has a board of trustees? A. They have no property in it; they put no money in it.

Q. But it is an institution? A. Yes, sir.

Q. They are authorized to do business created under the laws of the State of New York, and authorized to hold property? A. Yes, sir; as a bank; but supposing the bank was to go out of existence they could get no money out of it; there would be nothing for the trustees to divide among themselves.

Q. I suppose the bank did go out of business and had a surplus, do you think it would be an equitable thing to distribute the existing surplus among the then depositors? A. I do not think it would be equitable, but it might have to be done.

By Mr. Guenther.

Q. Why would it not be equitable? A. Because every man who had even been a depositor had helped to earn it.

Q. Take the other side of the question; if a man deposits his money in the savings bank, as we have had a case in Buffalo, the bank fails and he loses fifty per cent of the amount deposited; why should he not be entitled to half the surplus if he is liable to lose half of his deposit? A. I think the surplus belongs to the parties whose money earned it, but how they can arrange it under any law to get a cent what would be equitable I can not see.

By Mr. Hamilton.

Q. Have you any other suggestion to make to the committee touching this question of taxation to which your attention has been called? A. There is one thing about taxing deposits; some suggestions have been made some time about not taxing the small depositors, but taxing the large depositors in a bank; I can not see how that could be done, because the large depositors would divide it up among their families and put it in other banks, and it could not be reached.

By the Chairman.

Q. Your opinion about it would be that if personal property is to be taxed at all, that it ought to be all taxed? A. Yes, sir; but I do not know of any way under Heaven you can do it.

Q. You would not say because a man has only $500 he ought to escape and that a man who has got $100,000 ought to be taxed? A. No; and still there are a great many depositors in the savings banks that scrape together a little and ought to be encouraged in getting small deposits, as a matter of public good; habits of thrift and industry to get together a little ought to be encouraged; when a man has got $3,000 he has got his habits established and ought to begin to pay taxes.

Q. You ought to punish him because he has succeeded in securing the sum; because he has been more thrifty than his neighbor he ought to be punished by a tax? A. I do not know that I would call it "punish."

By Mr. Hamilton.

Q. Should any personal property of any kind escape taxation in this republican form of government of the people? A. Not as an abstract question; as a theory; as a practical question there should.

Q. Is there anything in the present law which exempts a savings bank depositor any more than another bank or any other form of asset for paying taxes? A. I am not able to say just how the law reads, but there is a section that says something about deposits of savings banks.

Q. It does not say that they are exempt from taxation? A. It is claimed by officers of some banks that it does; my theory about taxation is that after the thing gets adjusted and running it makes no difference what particular property is taxed; it will be spread amongst the community and the whole people and adjust itself; for instance, if the whole tax were placed upon dry goods merchants they would spread it upon the community that dealt with them and in the end it would average itself; it might be a long time.

By Mr. Stranahan.

Q. You have seen the resolution of the board of supervisors of Oswego county passed yesterday? A. Yes, sir.

Q. What do you think of the suggestions contained in that resolution? A. In regard to the question of State taxes, I think

favorably of it, letting the counties determine for themselves about the balance of the taxes.

Q. You think favorably of that part? A. Yes, sir.

The resolution referred to is as follows:

"Whereas, There is now in session a joint committee of the Legislature of this State investigating the operations of the tax laws with a view of reporting to the Legislature such changes as are necessary in said laws, and

"Whereas, In the judgment of this board the present laws upon the subject are inequitable in their operation, therefore

"Resolved, That we urge said committee to report some plan of raising the tax for the purposes of state government from a tax upon the bonded indebtedness of corporations and on inheritances and thus entirely relieve the counties of the State as such from raising any money for State purposes, and

"Resolved, That inasmuch as there seems to be irreconcilable differences between the counties of the State as to the wisdom of taxing personal property that we favor the passage of a law giving the local authorities power to determine the manner of raising the money for the purposes of the government of each county.

"Resolved, That the clerk of this board be authorized and directed to deliver a certified copy of this resolution to said committee.

"This is to certify that the above is a true copy of a resolution as passed by the board of supervisors of Oswego county, December 28, 1892.

"W. E. LEWIS, Clerk."

Q. You say if you place a tax upon one line of business they would raise the price of what they sold, and would in that way receive the money back again after they paid it? A. That would be the result in the end.

Q. If you place all the tax upon the real estate how are the owners of real estate, if farmers, going to raise the price so as to get it back from their consumers; how are they to get the advanced value of their products, because they do not make the

market? A. Perhaps in this State our farmers having to compete with farmers in other States they might be at a disadvantage.

Q. You think the farmers have the power to raise the price of their products? A. Yes, sir; it would not be produced after awhile; the question of supply and demand fixes the price of wheat.

Q. What do you say about the present method of taxing collateral and direct inheritances; do you consider the policy a wise one? A. To tax inheritances?

Q. Yes, sir. A. Yes, sir; I do, personally.

Q. What have you to say as to the present rate of five per cent on collateral inheritance and one per cent on direct? A. I do not think it is excessive.

Q. Would you increase it in either one? A. I would not until the thing got adjusted, and I knew what was coming; there is a great dispute now as to what inheritance is taxable; I read the law that unless a man inherits $10,000, he pays no tax, and the State officer comes and says if a man's estate is $16,000 and he has got ten children, it is taxed.

By Mr. Stranahan.

Q. The general term with reference to the collateral inheritance tax have decided both ways, I understand? A. Yes, sir; it has been held in our county, under an old law, that unless they got $500 each there is no tax.

By the Chairman.

Q. Leaving the amount of the legacy out of consideration, what do you say as to the rate one per cent on direct inheritance? A. I don't think that is excessive.

Q. Direct personal inheritance? A. I don't think that is excessive.

Q. What would you say about increasing it? A. I should want to look over the question as to the necessity of paying it in order to avoid some other form of taxation that I did not want to go into, or something of that kind.

Q. Suppose that the legislature should determine to relieve real estate from taxation for general State purposes, we would have to look for some other sources of revenue to make up for the loss that would be sustained by relieving real estate; now, would you favor, in that event, increasing the rate of taxation upon direct inheritance? A. That is just the point; if I did not find any other place that I could place it as well, I would.

Q. Is there any other that occurs to you? A. There is nothing that occurs to me except some form of taxation of corporations or their indebtednes, or something of that kind.

Q. Do you think that a tax of two and a half per cent on legacies to each individual of over $10,000 would be in any manner oppressive? A. None below that to be taxed?

Q. I say, a tax of two and a half per cent on inheritances above $10,000 to the individuals? A. I don't think that would be a hardship, but I should not want to fix that rate until I had studied the question in regard to those other matters; I don't feel competent to give an opinion on that.

By Mr. Stranahan.

Q. Don't you think that a tax on the bonded indebtedness of corporations of whatever may be necessary within reasonable limits, say one per cent or two per cent or one-half one per cent would fall as lightly as any other form of personal taxes; would fall, in other words, upon individuals who would be as well able to pay a portion of taxation as any other part of the community? A. The corporation owing the bond would pay this tax, or would they take it out of the interest?

Q. They would take it out of the interest, I suppose? A. I should think it would be much more satisfactory to the people at large than it would be to increase the inheritance tax considerably.

Q. Are not those bonds as a general thing in your judgment held by people who would not feel it a very great burden and who ought to bear some part of the expenses of government? A. Yes, sir; they are not held but by people who have got several thousand dollars.

Q. Lots of moneys? A. Yes, sir.

Oscar H. Hale, called as a witness, being duly sworn testified as follows:

By Mr. Hamilton.

Q. Where do you reside? A. Norfolk, St. Lawrence county.

Q. Your post-office address? A. North Stockholm.

Q. What is your business? A. Farmer at present.

Q. How long have you been engaged in that pursuit? A. For the last twenty or twenty-five years.

Q. Have you followed any other business? A. Not in that time.

Q. Have you been connected with public office in any capacity that brings you in connection with taxation? A. I have been a member of the board of supervisors for the last seven years.

Q. Have you had the question of taxation under consideration? A. Yes, sir; quite largely; so far as it related to our own county.

Q. You are chairman of the committee on equalization? A. Yes, sir; I was last year; this year I am a member of the committee.

Q. What have you to say as to the propriety of modifying the present laws relating to taxation, interest and assessment so far as they affect the agricultural and other interests of the State? A. In my opinion the law should be modified so that more of the property of the country can be reached for the purposes of taxation.

Q. What property do you refer to? A. Personal property.

Q. Is it your experience in your county that personal property generally escapes taxation? A. Quite largely.

Q. Does it do so by reason of the evasion of the law or the laxity of the administration by the officials? A. Well, it is partially both; as Mr. Rice just said, it is a pretty hard matter to make a man swear to the truth.

Q. And it is pretty hard to make some officials do unpopular acts? A. Yes, sir.

Q. What remedy have you to suggest to cover those defects in either instance or both? A. It is a difficult question to answer.

Q. You are unable to suggest any remedies? A. Yes, sir; that are really satisfactory to myself; I am frank to say that I have thought on the subject for the last six or seven years, and I really have not reached any conclusion that is satisfactory to my own mind; I know what ought to be done, but how to reach that is altogether another question; if we could compel the assessors to assess every dollar of personal property it would be all right, but how are you going to do it?

Q. Would your judgment be in favor of the adoption of what is known as the listing system? A. Not altogether; it is most too inquisitorial to suit me.

Q. It has worked well in western States? A. It has worked well in Pennsylvania and in Ohio, and I should be glad to see it tried here, but I say I think it is prying into a man's individual affairs too much, a little more than I would like to have them pry into mine.

Q. What is the sentiment of your community in regard to the question of taxation of mortgages? A. They should be taxed; I thing that is the general sentiment; that they should be taxed; the holder of the mortgage should pay taxes upon his mortgage.

Q. What is the sentiment in regard to the present rate of interest as affecting the agricultural interests? A. The impression generally is in our section that a lower rate of interest ought to exist.

Q. What is the occasion for the demand for that lower rate of interest in that community? A. Because real estate is not paying to-day to exceed four per cent interest upon its assessed valuation.

Q. Net or gross? A. Net; much of it is not paying that; I am speaking of well managed farms.

Q. Are the average farms in St. Lawrence county paying four per cent? A. No, sir.

Q. What is the average? A. Lots of them are paying nothing, but much of that is due to the management, and they are not entitled to any income; they do not manage their business in a businesslike way.

Q. Is it your judgment that well managed farms in St. Lawrence can be made to produce four per cent? A. Yes, sir; I think with the same business principles applied to them as are applied to other business they will pay four per cent.

Q. Net? A. Yes, sir.

Q. In regard to the question of allowance for deductions of personal indebtedness, what are your views upon that question? A. If they are to be allowed upon personal property they ought to be allowed upon realty.

Q. If they are not to be allowed on realty they should not be allowed on the other? A. Certainly not; I would make them equal.

Q. Is it your view that personal property should be taxed where it is located rather than at the residence of the owner? A. No, sir; I think it should be taxed where the owner resides.

Q. In the case of manufactories located in towns, would you deprive the county towns of the benefit of taxing the personal property accumulated there? A. That is a difficult question for me to answer; my reason for making that answer was this: We have very largely with us and quite generally through the State people who send money largely west to escape taxation partially here, and for the sake of a high rate of interest; we have a good many of them; moneyed men ought not to be allowed to sit down in our town and pay nothing for the support of our municipal government, schools, etc., it seems to me.

Q. That would operate to the extent of where capital was employed within the State? A. Yes, sir.

Q. Do you believe that if a plan were devised by which the entire State tax could be raised independent of the counties that would be advisable? A. The objection I see to that is in relation to our schools.

Q. I am not supposing now that there is to be anything omitted by the State that is now performed by it; I mean that the State shall perform all the paternal duties it now assumes, and to raise its tax, and the State taxes as now raised by counties to be entirely abolished; would that be desirable to the agricultural communities? A. I think it would.

Q. If such a plan were devised, what are your views then in regard to the adoption of the local option tax law? A. There would be nothing else left for them to do; the counties would have to provide their own living entirely amongst themselves.

Q. I mean to permit localities to determine upon what property they would raise their local taxes, so that St. Lawrence county might adopt one schedule and the neighboring county another, according to the views of the officials? A. So far as our county is concerned, I think we would be ready to accept it; it might make a general commotion throughout the State; I don't know.

Q. You think you could manage your affairs that way? A. We should try.

By the Chairman.

Q. Would not that commotion be confined within the limits of the county? A. I think it would, quite generally.

Q. What is the sentiment of your community in regard to the inheritance tax as to whether the present law is sufficient, or whether an increased tax for State purposes should be had? A. Generally, they think it is large enough.

Q. What is the sentiment as to what is known as a graded tax — raising the tax as the amount of the inheritance increases? A. That should be done in my opinion, and it is quite generally the opinion of the leading men.

Q. What is the sentiment of your community in regard to the question of taxing not only personal estate in direct inheritances, but also the real estate? A. Not in favor of taxing real estate.

Q. Can you give the reason upon which they base the distinction? A. No; I can not.

Q. Is it not generally based upon the idea that personal estates escape their just share of taxation during the life of the possessor and thereafter, the first opportunity that presents itself they try to get even? A. That is about the result of it; that is about it.

Q. That cause ignores the true ground upon which the inheritance tax law is composed? A. I do not understand.

Q. Does not that reason ignore the true ground upon which the inheritance tax is imposed? A. It does.

Q. The theory upon which the inheritance tax law is imposed is that there is no natural right of inheritance; that it is entirely a creation of government and is maintained by the government, and therefore, since the government creates and maintains that right, it has the right to take its share for the purpose of maintaining it.

A. The protection that the State exerts over personal property is a great deal more than over real; they claim that personal property should pay for the protection.

Q. Now, do you know of any instances where capital has been or is being driven from the State by reason of the restrictions affecting corporations or the tax imposed upon them? A. No, sir.

Q. What do you say as to new laws or amendments or modifications of the existing laws to increase the direct revenues of the State? A. Some means should be devised to reach more of the property of the State — to reach the personal property.

Q. In New York the witnesses that were called before the committee, including many large owners of real estate, expressed the opinion that personal property should be practically relieved from taxation; how does that view compare with the sentiment of your community? A. They are not in sympathy with it.

Q. Have you any suggestions to make to the committee to which your attention has not been called during the course of this examination in regard to the question under consideration? A. No; I have not.

Q. What is the sentiment of your community in regard to the taxing of savings bank deposits? A. Well, savings banks are not taxable and should not be taxed; the sentiment is that the surplus should be, but the question presents itself as to where the surplus belongs; in equity the surplus belongs to the parties whose money helped to create it; I should hold that surplus whether it was $100 or $500 should pay its proportion of taxation; taxation should be equal, and whether it is great or small it should bear its just proportion of taxation.

Q. You don't believe in the view then that by removing all taxes upon personal property the amount of it that would flow into this State for investment would be so great and the increase of the value of real property would be so great that the object of the reduction of taxation would be thereby accomplished? A. No, sir; because that money would naturally center in the commercial centers; I don't know how it would help a purely agricultural community in the least.

Q. You believe it would be to the detriment of the agricultural part of the State? A. I do; that is my first impression; I had not thought of that particular point.

By the Chairman.

Q. How do you think the reduction of the rate of interest from six per cent to five per cent would affect the farmer in obtaining a loan? A. I don't know as it would help him a particle.

Q. On the contrary, do you think it would embarrass him? A. Hardly that, either; I don't think it would affect him either way; gilt-edged securities can get all the money they want now.

By Mr. Guenther.

Q. What about other kind of securities? A. Not gilt-edged?

Q. Yes, sir. A. You can not get money any time whether the rate of interest is six per cent or ten per cent.

By the Chairman.

Q. Do you think that the banks, as a rule, look upon farm mortgages as gilt-edged, do they seek for them? A. No, sir; they do not.

Q. The question I asked had special reference to loans and farms? A. The banks do not as a rule seek loans upon farms anywhere; the farmer's loan almost invariably comes from private individuals.

Q. In their own community? A. Yes, sir; in their own community — locally.

Q. Some of the witnesses who have preceded you said that in their locality the savings banks held a large proportion of the

mortgages? A. That is not true with us; we have several loan associations who loan money to the farmers, but, as a rule, our farmers get their money largely from private individuals.

Q. What is the standard rate of interest being paid on farm mortgages now? A. First-class and in sums of $5,000; it pays about five per cent.

Q. I mean average farm property? A. Six per cent.

Q. Do you think that if the legal rate of interest was reduced from six per cent to five per cent that the average farmer could obtain a loan as readily at five per cent as he can now at six per cent? A. The way the money is coming from the west I should say, yes; money is good for nothing only as it is invested; lying idle it has no value at all.

Q. Do I understand you to say that you were in favor of taxing mortgages? A. I should tax mortgage; here is a difficulty under the present law and a wrong; when the real estate and mortgage are both taxed it is an injustice; I am not in favor of taxing mortgages and real estate both; that should be remedied.

Q. Your idea would be to tax the holder of the fee for the equity that he has, and then tax the holder of the mortgage for the amount of his loan? A. Yes, sir; you then only tax the mortgage once and each person pays his just proportion.

Q. Suppose that both of your views were carried into execution by the operation of law; that the rate of interest is reduced from six to five per cent, and that then in addition you tax the mortgage, what effect do you think that would have upon the farmer in obtaining a loan, bearing in mind that one per cent of the earning capacity of the mortgage has been taken away, and that it is then taxed in addition, say one per cent or one and one-half per cent, which cuts it down to three and one-half or four per cent? A. Until it adjusted itself it might be a little more difficult for him to secure a loan, but in a very short time, I think, he could secure a loan as readily.

Q. What do you think money ought to earn as a fair result of investment? A. It ought to earn five per cent.

Q. If your views were carried out and the rate of interest was reduced and the mortgage taxed, you can see where the investor

would not receive any such income as that from his money? A. That is true; it would adjust itself very readily; really the rate of interest is controlled quite largely by supply and demand; as a gentleman said here about reducing or increasing farmers' crops the farmer can not change the price of his crops, to adjust these different modes of assessment and taxation; the merchant can, but the farmer can not; it is an utter impossibility.

Q. The merchant can not only to a limited extent? A. They can a great deal more easily concentrate their united efforts and control it, but the farmers are so scattered and isolated that it is pretty difficult for they to combine.

By Mr. Guenther.

Q. If supply and demand regulated the amount of interest, what object would there be in urging the reduction of the legal rate of interest to five per cent? A. As it is now, it would help the borrower somewhat.

Q. Then, supply and demand would not enter into it there? A. Not wholly, but supply and demand has a good deal to do with it.

Q. Don't you think, in the case where the real estate owner would pay his proportionate share of the tax, and the holder of the mortgage was supposed to pay his share, that the man who holds the mortgage would demand of the man that owns the land first the amount of the tax that the holder of the mortgage would have to pay? A. Very likely, because capital can and will protect itself always; capital needs no protection; it will take care of itself: the law is supposed to protect the weak.

By Mr. Hamilton.

Q. In your estimate that a well managed farm may be brought to produce a net income of four per cent in your county, have you made any allowance for the compensation for the daily labor of the owner? A. Yes, sir; I would not like to have that go, however, as universally true; I think Mr. Dibble will bear me out and Mr. Green here, and any first class farmer; the owner of that

farm would not be compensated for the amount of brain work that he would put into it — what he ought to put; the day has gone by when a man can be a successful farmer without having brains, and he is very poorly paid; the same amount of talent directed in almost any other occupation as successfully as a farmer has to bring his business to produce its four per cent is far better paid than the farmer.

Q. Would St. Lawrence pay four per cent net after the farmers have paid all expenses and have received say two dollars per day for each day's labor they have given? A. The best of them would.

By Mr. Guenther.

Q. He has to live meanwhile? A. Yes; that is where a great many farmers forget to figure; they forget how often they hitched up and drove to the town; they forget how many dishes of ice cream and strawberries they have had; don't give the farm credit for that.

Q. Talking about the mortgage paying its proportionate share of taxes upon realty; take, for instance, the basis of real property in a city worth $10,000, with a mortgage on it of $5,000; the tax on that each year, perhaps, would amount to say $160; then, that same year the local improvement is put down there, for paving, amounting to say $400, and a sewer put in there; would you ask the holder of the mortgage to pay half of that tax, when the tax is for a permanent improvement, and that property after the mortgage has been paid off will have that benefit? A. There is the difficulty; if any of you can devise a tax law that won't be unjust in some way, I will go a long way to see a man capable of doing it; I acknowledge I am not smart enough to do it; we have very much trouble with equalization.

Q. You mean as between towns and counties? A. We only equalize between the towns, but take a county with thirty-one towns and four wards, it is almost equal to a state; there are thirty-five supervisors on our board.

Q. Can you give a statement of the approximate amount of mortgaged indebtedness on farms in St. Lawrence county? A. My opinion is that they are not far from between ten per cent and twelve per cent.

Q. On the actual value or assessed value? A. Assessed value.

Q. And is such indebtedness increasing or decreasing? A. At present, it is not increasing; I think that the mortgages for the last year or two are being reduced.

Q. What is the proportion of real and personal property as it appears upon the tax-rolls of your county? A. Personal is about ten per cent of the real.

Q. What is the actual amount of personal tax; have you given an opinion as to that? A. The actual assessed amount is between ten per cent and twelve per cent; as to the actual amount I should not want to express an opinion.

Q. In your opinion does it approximate the total value of real property? A. No, sir; it does not in our county, because it is a purely agricultural county; personal property is not anywhere near equal to the realty.

Q. What is the condition of the farming property in your county as to increase or decrease of value in late years? A. It has decreased very materially; within twelve or fifteen years that real property, that is farm property, has decreased forty per cent; it is true that St. Lawrence county has some very fine land, but we have an immense amount of very poor land.

A. Whitney Carr, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you reside? A. Jordan, N. Y.

Q. What county? A. Onondaga.

Q. How long have you resided there? A. Ten years.

Q. What is your occupation? A. I am laying off.

Q. You are retired from business? A. I have been a farmer, but I sold my farms.

Q. How long were you engaged as a farmer? A. I owned farms all my lifetime, more or less, forty or fifty years.

Q. Do you own any now? A. No, sir; I sold the last a few years ago, I was born on a farm in this county.

Q. What have you to say as to the propriety of modifying the present laws as relating to taxation, assessmentand interest so far as they affect the agricultural and other interests of the State? A. I think they ought to be modified; not but that the present law is good enough if it was possible to carry it out; but it is not possible in my estimation, and I have given the matter considerable study, and made it a matter of observation in other States as well as this, and I have traveled a good deal; it is not possible in my estimation to carry out the law in this State as it is now without modification.

Q. What remedy have you to suggest to correct this? A. I would abandon all taxation of personal property directly; I would not underpay for the meagre part we get to assess personal property at all.

Q. In what way then would you relieve real estate from the present burden which it bears? A. I would do it in this way; there is in my estimation, and I have as I said, given it considerable attention — there is a way of reaching personal property that is effective and equitable.

Q. What way is that? A. By taxing sales of all sorts; the sales of all kinds of property excepting real estate, and possibly real estate when a man makes a business of it; but all kinds of personal property; I would tax all sales, whether wholesale or retail, and I think such a tax as that would alone in this State, without being oppressive and hardly felt by anybody — would alone pay every dollar of expense of the State government, and yield a handsome percentage to be distributed among the counties.

Q. Is there such a system in vogue in any of the States? A. There is not so far as I know; I am the originator of the idea, so far as I know.

Q. Do you know whether it has been attempted in any of the States? A. No, sir; there is a little attempt approaching it in Pennsylvania, but it is only in a very slight approximation.

Q. Would not that place upon the sales of personal property the same excessive burden which is to-day borne by real estate? A. No, sir; say we put a small tax, it will operate in this way; we put a tax of one-twentieth to one-fiftieth of one per cent on sales; it would operate in this way; the buyer would have to pay the tax, but it would be so small that it would enhance the value of the article sold so little that it would not be appreciable hardly, and in one specific article, but in the aggregate the transactions are so enomous in the State it would yield an immense revenue.

Q. What security would there be for obtaining accurate returns of such sales any more than there is now of obtaining accurate returns of personal property? A. My idea is this; there would be no motives to evade it; you allow a man his oath, which they do not know; it is optional with the board to allow him his oath; suppose you take a merchant who has collected that tax, and at the end of the year he is called upon to give an account under oath of the amount of sales he has had; supposing he sold $10,000 worth, and he has one-twentieth of one per cent to pay, fifty cents on a thousand; that would be all the tax he would have to pay on personal property; that would give no chance for the iniquistorial element; what people object to in taxation is the inquisitorial prying into their affairs, and the unscrupulous will swear falsely and get rid of it that way and the mean people will dodge it, and it is left to the simple minded or ignorant to pay; take for instance Massachusetts, which is held forth as a model State because forty-seven per cent of the personal property assessed is reached under the inquisitorial system; now to the extent of fifty-three per cent of personal property is therefore oppressive to the forty-seven that pays; it is only a question of the degree in this matter of taxation of personal property; here in this State at least ninety per cent of personal property escapes entirely by hook or by crook, and then in my opinion it is generally all crook; still it is only my opinion; I don't wish to condemn other people; now, what I would do is to tax the sales of everybody, wholesale or retail, and then the man who buys the most pays the largest taxes; the man who furnishes his family the

most with horses and carriages, etc., and maintains the greatest style, that man pays the biggest taxes; as it is now he don't; a man like Jay Gould, for instance, pays only on $500,000 and died worth $70,000,000; a great deal of personal property is specifically exempted by the law of the land, bank currency, greenbacks, bonds in the United States are non-assessable; no locality or municipality can tax them and if they do assess them the courts will exempt them; that is a very large share; then savings banks, those accumulations in the State, they are exempt and they ought to be; they are the savings of men that are poor men as a general thing; it is the average I believe of deposits in this State is $385, and to tax them would be to crush out the habit of saving among poor people, and I think it is undertaking to collect at the spigot what will go out at the bung-hole as the old saying is.

Q. What computation, if any, have you made as to the amount that would be produced by a tax of that kind? A. Senator Lowe with whom I had considerable correspondence several years ago before this collateral and inheritance tax was established — I ventured to suggest it would be six millions and he said it would be double that; the rate I mentioned of one-twentieth of one per cent that was, since then I have made a little further observation on the exchanges in New York city and several kinds of exchanges have been established, and I think that the exchanges alone in New York city, not to speak of other cities, at one-twentieth of one per cent tax on the face value of each transaction would produce revenue enough to sustain the State government for many years.

Q. You include in that transactions in Wall street? A. Yes, sir; everything personal; all dealers who make it a business as dealers ought to pay this tax, and in order to be effected any tax must be put in such shape as not to be easily evaded, or in other words to place people so that they would not be under temptation to evade it; now what is it in this system that will prevent men from avoiding or attempting to avoid taxation; now, take a merchant; here is Mr. Day, and he is probably as prosperous a merchant as there is in this city;

supposing his sale of $500,000 a year; one-twentieth of one per per cent would be $5,000; probably his present taxes are double that; it would result as a benefit to him, and there would not be any temptation to evade it; I am an advocate of having good men and women; I believe that we can have men that would tell the truth and tell it under oath, but I think it is judicious to avoid placing temptation in the way of people, especially where they are interested; it tempts them into an evasion of the law; this would avoid that temptation; now then, as to the equity of the thing; of course if you tax all sales, wholesale and retail, you tax the same article over and over again; that is to be expected, but that is not an uncommon thing; now, you take the tariff; that taxes the goods when they come from foreign countries; then the jobber, if he is honest, he reports to the local assessor the full amount of his goods; the law says he shall report the full amount of his stock, although they do not conform to it probably; there is a second tax; then the country jobber that he sells to at Buffalo and other places, he has to pay his tax on it; then he sells to the retailer, and the retailer pays his tax, but the taxation on sales would permit of putting the rate of taxation so low that it would not be oppressive; that is the way I look at it.

Q. Would it not be necessary to have inquisitorial laws, as they are called, in order to ascertain the amount of sales? A. No, sir; I think that the oath of most people would be allowed as to the amount of the sales, and in my experience with dealers I should say there would be more liability for them to overstate their sales than to understate them; you might ask me why, and my answer would be this, that most dealers want to stand well in the commercial world, and they would be willing to pay larger taxes for the credit it would give them; I have known men to do that for the commercial standing it gave them; and as well as that there would not be that temptation to avoid it; it would not be inquisitorial only so far as this — it would give the amounts of their sales, and their books would show it; now, see how it would operate in our little town; the shoemaker who does $1,000 worth of business pays fifty cents tax; our grocers — we have seven or nine of them, and their sales are from $9,000 to

$10,000 a year; you see what their taxes is at fifty cents on the 1,000; then our manufacturer, Mr. Warner, who manufactures I don't know how much, probably $100,000 a year, but I can not tell you a great deal about that.

Q. Have you any other suggestions to make to the committee in regard to this? A. Yes, sir; I would like to have our laws in regard to the assessment of real estate altered; I would like to have the assessors empowered and required to administer an oath as to real estate, and as to the real cash value of the estate; I think we are more likely to get a just valuation of our realty than we are under the present system, leaving it alone to the judgment of the assessor, because then we would have the sworn judgment or estimate of the owner who knows more about it than anybody else, and then the result would be that the assessor would put it down as he chose, but he would have the benefit of the sworn statement.

Q. Not to make it binding on the assessor? A. No, sir; but advisory; then I would tax banks and banking offices on the amount of their loans and discounts, or in other words just as I would the merchants on their business; so I would telegraph and telephone and railroad companies, and if the principal of a graduated tax is sanctioned ultimately by our higher courts, which I have some doubt about — if that is sustained, then have a graded tax on incomes and a graded tax on inheritances, and I think that would be very equitable and a desirable way of taxation; I am in favor of the principle of a graduated tax, but my fear is that our higher courts would not sustain it.

Q. It might be held to be unconstitutional you think? A. Yes, sir; I am afraid they would say it would be inequitable to tax a man because he happened to have $10,000, a higher rate than another who had $1,000, but there is one thing about it, taxation is confiscation of private property any way you put it.

Q. It is when you tax the owner but it is not when you tax the inheritance, because the law creates the inheritance. A. I think that is an equitable thing; I would carry it a little farther than usual; I would carry our legacy tax on large amounts far higher

than you do; I see the Comptroller Campbell is in favor of a much larger rate on large amounts — a graded tax, and if it is so to the financial officers of the State, I think he must have had some consultation with the higher courts or the judges, in order to come out in that way; I had questions about that; I believe in the principle; I think it is just and right; but so long as property can be concealed men will be found mean enough to conceal it; I think we ought to take things as we find them, and practically, not more for the miserable pittance of ten per cent or fifty per cent or thirty-three per cent as they have in Pennsylvania of personal property; for that meager amount I say exempt it all only in this indirect way, and it will be found more equitable and more satisfactory to everybody concerned.

Q. Every time it made its appearance you would tax it? A. Yes, sir; every time it changes hands; I would have bonds and securities of no use unless they were stamped.

Q. Whenever it shows its head hit it? A. Yes, sir; Senator Low asked me this question: How could you enforce this on sales; I told him I would make every transaction in New York or on any exchange, whether New York or elsewhere, and any debt that might be contracted, have it non-collectable in any court unless it had the stamp equivalent to this one-twentieth of one per cent on the certificate of stock or note or whatever it was that was transferred, and in case of option and such straddles and things mentioned in the exchange I would have attached to the receipt the stamp that is required for the amount of the transaction; a great many say some brokers have said that would have the effect of driving our business to Jersey City; I say, no, sir; it was tried during the war; how did that operate; that tax was paid by the man that bought the bond of the stock; it was added to the percentage that the man charged for doing business; so it was not any detriment to the broker; he would consent to it; I think so far as my observation is concerned that the people are now ready for something more effectual to reach personal property; I have utterly lost all hope of reaching personal property by any direct effort; I don't believe it is possible; I

think if every assessor could do as they did in old Rome, put the thumb screws on them, and draw it to make a man divulge what he has got, it would not be effectual any more than it was then; hence I would not undertake, while it is perfectly just that he should do it; I would not undertake an impossibility; but in this way by taxing sales, you have a reasonable and effective mode of taxation, and it will reach every single man; no man so rich or shrewd or unscrupulous that he will escape it; he pays a tax on every bit of clothes that he wears, every harness for his horse and all he squanders.

Q. Have you any authentic figure as to what the transactions are in stocks on Wall street? A. They vary from year to year, but they are as high as 60,000,000 in a single day; you can multiply that by 300; it is called small business down there to do fifteen or sixteen millions a day; then there are the cotton exchange, the produce exchange, and all other exchanges would be added to it.

A. C. Brundage, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You reside at Bath, Steuben county? A. That is my post-office; I live in the town of Urban.

Q. Your business is what? A. Farmer.

Q. How long have you been so engaged? A. I have been twenty-nine years in the conduct of a farm myself.

Q. Have you pursued any other business in connection with it? A. No, sir.

Q. You have represented your county in the State Legislature? A. Yes, sir; from my district.

Q. How many times? A. Four times.

Q. During what years? A. Eighteen hundred and seventy-eight and 1879, and again in 1887 and 1888.

Q. Have you also acted as supervisor or assessor? A. No, sir.

Q. Are you a member of the State Grange? A. I am a member of a subordinate grange.

Q. Are you a member of the Farmers' Alliance? A. No, sir.

Q. Have you given to this question of taxation some study and attention? A. Yes, sir; some years ago; not very recently.

Q. I believe you are the father of what was known as the Brundage Tax bill? A. I had the honor to introduce it.

Q. Which included what is known as the tax listing system? A. Yes, sir.

Q. From your experience and examination, what have you to say as to the propriety of modifying the present laws relating to taxation, assessment and interest, so far as they affect the agricultural and other interests of the State? A. I believe it to be a fair proposition that all property should pay its share; make no exemption except such as naturally and necessarily belongs to the State; I think some system should be devised by which not only shall real estate pay taxes, but that all personal property should pay its tax; I say this as a rule that personal property is more remunerative as property and more expense to the State to take care of it and protect it, and I know no reason why a man that chooses to invest his money in bonds and mortgages on somebody else's real estate shall be guaranteed a specific net income, while he who has some other property shall take his chances in the scramble for position and profit; so that I see no reason why a gentleman who owns a bond and mortgage, if he should happen to have one on my farm or business, should be exempt from paying his share of the tax, as I am required.

Q. You know of the very wide-spread opposition to the listing system? A. I know there is, coming principally from the fact — as a gentleman said before, they would be in favor of a listing system if it could be effective, and it seems to me a scheme can be devised to make it effective; it seems to me that the Legislature might enact a law which will provide for the listing system in the customary way, and that when in the judgment of the board of assessors any person fails in their judgment to give a fair return of the personal property in his possession, that that board shall be empowered by the law to make a report to the

judge — the county judge or Supreme Court judge — asking for the appointment of a referee to take this question into consideration here and determine the facts; if this property can be discovered, I think the objection to the inquisitorial system to which the gentlemen so much object would apply not so much from the fact of the public knowing their financial position, if they understand their neighbor is to be known too; you have no objection to it being known that you have $50,000 or 10,000; I should certainly not object to that — to have it known that I was worth $25,000, when my neighbor's affairs were to have the same light turned on to them.

By Mr. Guenther.

Q. In the city of Buffalo, I run a place and carry a stock of $50,000; I have paper outstanding for $50,000; nobody knows it except the man I borrow money from; what effect would that have on my credit if it was known that I had this amount of $50,000 of debt? A. I don't know that I have considered that question far enough to say, but I am not making any exemptions on any sort of property, and right there I want to say that one of the reasons why this discrepancy in the assessment of real estate exists comes from the fact of there being under the law this exemption allowed for debt resting against personal property; he is allowed exemption to the extent of his debts; it is absolutely indefinite; if a man holds one or two thousand dollars in government bonds, exempt under the law from taxation, he allows it to be understood by the assessor that his personal property is all invested in government bonds.

Q. The ultimate object of having this listing system would be reaching personal property and decreasing the tax upon real property so far as State purposes only are concerned? A. I don't quite understand why we are obliged to use that term for State purposes only, for the reason that there is just as much difficulty in the other.

Q. It has been suggested by some of the witnesses to have a divorce of the State and county — to permit local option; now, if we had no State tax, could you allow each county — let the super-

visors provide a listing system if they wanted to, and put it on personal property or real property; and in that case would you be in favor of local option for each county? A. Possibly to the extent that the board of supervisors could determine whether or not a listing system shall be in vogue; it should be uniform.

Q. Do you think the condition of the farmer to-day is owing to the tax upon his property? A. Only in a very moderate degree.

Q. It is very moderate is it not? A. I say it is moderate; of course, the figures that have been shown here to-day show that it would simply go to pay some of the interest on his indebtedness.

By Mr. Stranahan.

Q. When you were in Albany giving some attention to this subject of taxation, did you discover that your ideas as expressed in your bill were very strongly combated by all people from the different cities of the State? A. From banking institutions?

Q. I mean by the representatives in the Legislature; did you find that those from the cities were unanimous in their opposition? A. Largely so.

Q. Now, you have watched the operation of the Legislature on this subject since that time and know if that opposition still continues? A. Yes, sir; very largely.

Q. Has it occurred to you that since the recent apportionment giving a larger representation to the larger cities of the State, New York, Brooklyn and Buffalo, that that element representing the opposite idea from your own are nearly if not quite sufficiently strong to enact such legislation as they see fit upon this subject? A. I think that would be the case.

Q. Does it not occur to you at that time in view of what I suggested that there are irreconcilable differences in certain counties in the State with reference to the method which shall be pursued on the subject? A. Yes, sir; I think so.

Q. If that is true, and those differences are irreconcilable, and that which is desirable in one community is not in another, is not the most reasonable solution local option? A. Yes, sir; in that view of the case; this question of local option I never considered until I heard it discussed to-day.

Q. It means that the board of supervisors in the county of Steuben, if you please, shall have the power to say upon what species of property and in what manner it shall levy taxation for local purposes, and in the county of New York the board of aldermen may say there that they will levy it only upon real estate and exempt personal property entirely; how would that system operate? A. I can see where there might be some satisfaction come out of that, and it seems to me that it might be somewhat popular in the county.

By Mr. Guenther.

Q. Supposing that in the county of Chautauqua they should tax both personal property and real for the purpose of meeting the local expenses, and Erie county should say they will tax only real estate, would not that be the cause of taking all the personal property out of Chautauqua and placing it in Erie; what is your opinion? A. I am of the opinion that when we come to tax all property we find the taxes so modified and smaller in proportion than we have been in the habit of paying, that there will be less objection; public judgment and patriotism would lead them to regard it in a proper light; as has been suggested by some gentleman preceding me, there has been considerable sentiment in the direction of exempting certain classes of property, so that you are enacting laws each year exempting certain classes of property from taxation; people seem to be drifting that way; if you turn and say that all property shall be taxed, that every man shall be considered a good citizen if he stands up like a man and pays his tax there will be less disturbance.

Q. Have you ever figured out what proportion in Steuben county your State tax is to your local tax? A. I have known it but I am not able to give it now.

Q. It is one to five. A. That is one of the fallacies of the farmers; they fail to take that into account; our grievance is not between the several counties one as against the other but because my neighbor does not pay the tax that I do; my neighbor who owns a farm immediately adjoining me has succeeded in

having a great amount of personal property and he pays a mere bagatelle.

Q. Farmers overlook the fact that the greatest burden is local taxation? A. Yes, sir.

Q. So long as this present system of taxation is in vogue they will consider that it is State taxation that is the burden? A. Yes, sir.

By Mr. Hamilton.

Q. Could not the objection that in case of local option personal property would seek to avoid localities where it was taxed be in a large manner overcome by giving the right to the localities to tax personal property where it was located without regard to where the owner was? A. It seems to me that would obviate the difficulty.

Q. What do you say as to the approximate amount of mortgage indebtedness on farms in your county? A. I have no definite information on that subject, but my judgment is that it is not large—ten or twelve per cent.

Q. Do you know whether such indebtedness is increasing or decreasing for the past few years? A. In conversation with gentlemen who have some right to know, I am of the opinion that there has been no increase and in some instances there has been some decrease, more especially during the last year or two.

Q. Do you know the comparative value of real and personal property in your county? A. The assessed value?

Q. No, sir; the actual value? A. No, sir; nothing very definite except the general opinion that the personal property is seventy-five or eighty per cent.

Q. And yet as it appears on the assessment-roll it amounts to how much? A. About one to eleven.

Q. Now, of late years has farming property in your county been increasing or decreasing in value? A. There has been no increase, and our county I think is somewhat an exception because of the character of the products; we have a large grape growing country generally and it is holding its own; we have large

potato growing sections and they have been very remunerative; we produce a very fine quality and great quantities of them in some sections, and in no sections are the highest priced lands in the county to-day outside of the vineyards.

Q. The vineyard is practically a new industry in the last decade? A. Yes, sir.

Q. What have you to say as to the increase or decrease of well managed farms or vineyards in your county? A. My impression is that farmers are generally very widely astray in their estimates for the reason that they do not conduct their business properly, and do not give their farms correct returns of the products from them.

Q. Do you know of any instance where capital has been driven from the State by restrictions placed upon corporations? A. No, sir.

Q. What is the sentiment of your community in regard to the question of taxing mortgages? A. Very generally in favor of it.

Q. What is it in regard to the question of allowing an offset for personal indebtedness? A. There is opposition to that among the most intelligent people; they believe it is not right, and that it has led to such abuses in its operation.

Q. What is the sentiment of your community in regard to the present rate of interest? A. So far as I have heard expressions of it I hardly dare answer that question; I hear expressions both ways; I think among the lighter class of borrowers and the people of more moderate circumstances the disposition is decidedly in favor of reducing the interest, but among the better class of farmers, and I live in a community where I am largely surrounded by a very good class of farmers, the general feeling is that it would hardly be to the advantage of the farmers to reduce the interest.

Q. Do you believe it desirable that the State tax should be collected solely by the State? A. Yes, sir.

Q. And thereby to avoid the question of difference in equalization between counties? A. Yes, sir.

Q. Do you believe as a result of that, if it can be satisfactorily established, that a local option law would meet with the views of your community? A. I regard that as a new question; it is to me; I have never heard it discussed in that form.

Q. What is the sentiment of your community in regard to the inheritance tax? A. Very largely, I think, in favor of it, and of the improved scheme suggested by our comptroller, a graduated tax, and some increase in the line of putting some further taxation on corporation, and as has been suggested to-day, taxing the bonded indebtedness of corporations.

Q. And in regard to savings bank deposits? A. We have very little to do with them; we have no savings banks in our county.

Q. Have you any suggestions to make to the committee to which your attention has not been called on the subject of taxation? A. I had but I don't recollect them now.

Q. Do you regard the difficulty as it exists to-day in the collection of taxes as owing to the condition of the law or to the laxity of its administration? A. Growing out of both there is a long continued abuse in that direction; a precedent has been so well established — the scheme by which a man may claim that he is in debt and get off from his assessment and that very fact has resulted in a different rate on the real estate so that in some counties it is forty, fifty and seventy-five per cent; I apprehend that came from the system of making an allowance on personal property for the indebtedness; the disposition to even up with the man holding real estate is the result, because his neighbor had an allowance for personal debt.

Q. What remedies, if any, occur to you to overcome these difficulties? A. I don't regard it possible to secure a proper enforcement of the law as it now stands; it seems necessary that some radical changes shall be made, and extending the power and authority of some of the officers, so that personal property shall be more effectually secured.

Q. You think that, together with the adoption of the listing system, would accomplish the desired result? A. In view of this condition of affairs that exist on Mr. Stranahan's suggestion, the opposition to that sort of legislation which comes so largely

from the cities, and they are now more than ever in the preponderance, the necessity is suggested of going still farther for a remedy; I have been thinking over the subject since my experience with the tax bill in the Assembly; the more I have seen and heard of it the more I have become convinced that there is no other way; it seems to be inevitable that either one or other alternative must come; I have been trying to educate myself that if personal property were entirely exempted from taxation, benefits would result to the farmer, so that they would be able to get loans more readily; I say that one or the other is inevitable.

Q. You were present during Mr. Carr's examination? A. Yes, sir.

Q. You heard his scheme relative to the taxation of sales? A. Yes, sir.

Q. How in your judgment would that meet the requirements? A. It seems to me to be wholly impracticable.

Q. Why? A. For the reason that it depends entirely upon the honor of the man making the statement; you must have his oath, and have his statement that way, and he is no better off than he is under a listing system or under the present system even; you take his statement and that is the end of it; it is really a visionary scheme so far as I can see.

By the Chairman.

Q. You think that the successful carrying out of a tax law depends entirely upon the ability of the other fellow to grasp the property? A. Yes, sir; find it first, then you can assess it easy enough.

Q. Wouldn't it be safe to depend on the owner? A. No, sir; our experience has taught us that.

By Mr. Guenther.

Q. You think a considerable amount is not collected on personal property by reason of swearing it off by indebtedness? A. There is a very little of that done by swearing off; it is done by persuading the assessors by one scheme and another.

Q. Your assessment books for the purpose of taxing personal property are open up to a certain day in your town? A. Yes, sir.

Q. What do you think of extending the power of the assessors in the case of a man who comes in and swears off a certain amount of his assessment, to allow the assessors to place that against the person who holds that indebtedness? A. I think it will be a good idea; any scheme that will help to discover personal property would be.

The committee then adjourned to meet December thirtieth, at 10 a. m.

---

Syracuse, N. Y., December 30, 1892.

The committee met pursuant to adjournment.

Edward F. Dibble, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you reside? A. Honeoye Falls, Livingston county, but the post-office is in Monroe county.

Q. What is your business? A. I am a farmer.

Q. How long have you been engaged in that occupation? A. Since I attained my majority.

Q. Are you engaged in any other business? A. No, sir; I make a specialty on my farm of seed growing, still I am strictly speaking a farmer.

Q. You are a member of the Farmers' Alliance? A. I am president of the State alliance.

Q. Are you also a member of the grange? A. I have not that honor; no, sir.

Q. Have you been connected with any public office bearing upon the question of taxation? A. I have not.

Q. In your capacity as president of the alliance have you investigated the subject of taxation? A. I have.

Q. What have you to say as to the propriety of modifying the present laws in relation to taxation, assessment and interest

so far as they affect the agricultural and other interests of the State? A. They would be changed most decidedly.

Q. Can you give us the approximate amount of the mortgage indebtedness on farms in your county? A. Well, I could be able to give you the exact amount if the United States government would enter the amount on its census report; our government took four counties in this State and took the mortgage indebtedness; they took the town of Lima four different times but they have never yet reported; the mortgage indebtedness was so alarming they were afraid to report it; in the town of Lima every farm in the township but twenty-five is mortgaged and Lima is one of the best townships in the State of New York, situated in the Genesee valley, the center of a fertile country; in this township all are mortgaged but twenty-five and half of them are mortgaged for all they would sell for to-day under the hammer; Livingston county is mortgaged, in my opinion, for more than $6,000,000; Allegany county, upon the authority of a Republican Member of Assembly, is mortgaged for eight and one-half million dollars, or more than it would sell for if all the property was put up at auction to-day at public sale; Judge Lynn, ex-county judge of Monroe, a good Democratic friend of mine, and an old school-mate, says that at least more than half of the farms in Monroe county are mortgaged, and half of them for what they would sell to-day at public sale; it is safe to say that all the counties of western New York are heavily mortgaged; I would not be surprised if it was found that fully one-half of the farms are mortgaged, and perhaps one-third of them are mortgaged for their actual value to-day.

Q. What have you to say as to whether such indebtedness is increasing or decreasing? A. If you give me a period of ten years; during the last ten years the mortgage indebtedness has steadily increased.

Q. Can you tell in what ratio? A. No, sir.

Q. Can you give us the comparative, and the proportion of each appearing on your assessment-rolls? A. The assessed value of real estate in Livingston county is $23,712,650; the assessed value of personal property in Livingston county was $3,142,567,

or about between eleven and twelve on personal to eighty-seven on real; there is no question in my mind but that the value of personal property in Livingston county is fully equal to that of real; and then in regard to the way it is assessed; many of our farms are assessed for their full value, and the railroad property is not. It was proven that the actual value of the Delaware, Lackawanna and Western throughout our county was $80,000 per mile, and it was assessed at $20,000 or one-fourth; and what is true of that road is true of all the others that go through the county, whereas the real estate of the farmer is assessed at very nearly its actual value, and the real estate of the railroads is not assessed for more than one-fourth.

Q. What is your opinion in regard to the increase or decrease in the value of farm property generally in your vicinity for the past ten years? A. The value of farm property for the past ten years has steadily decreased, not only in our county or township, but throughout western New York, with the exception of Steuben county, which, I believe, has, as was stated by Mr. Brundage, yesterday, increased in value on account of the grape-growing interests and the large potato interests which have been developed within the last ten years; in Livingston county the decrease in the past ten years has been fully forty per cent; I will illustrate that by two farms that have recently been purchased by our own family, one of which sold ten years ago at ninety dollars per acre, and was purchased last season, although it has been greatly improved, underdrained and fenced, and is in far better condition than then, at fifty dollars an acre; it is a portion of the farm known as the famous Sackett farm in Genesee valley another farm, on which I now live, the owner was offered $120 an acre for it eight years ago, and was purchased four years ago for seventy-eight dollars; another farm sold last spring; the gentleman was offered for it six years ago $115 per acre, and although it has been greatly improved it was sold at eighty dollars; I could go on and give instances of that sort by the score.

Q. Then you disagree with the claim of the State Assessors that in Livingston county lands are assessed only sixty-eight per cent of the actual value? A. They are assessed more than that;

the actual value of a piece of property is what it will sell for in the market.

Q. The standard is what it would be taken for in the payment of a just debt; in the report of the State Assessors of 1889, which practically represents the percentage which governs to-day; they say it is sixty-eight per cent; your observation is different from that? A. I believe it is assessed at fully eighty per cent of the actual value.

Q. What have you to say as to the revenue of the farming lands in your county; have they increased or decreased the past ten years? A. The revenues have steadily decreased; one of our chief industries is that of wheat culture; my father, my brother and myself, farming together we raise 200 acres of wheat per year, and have done so for the past ten years; we keep a minute account of the cost of raising wheat and we find that the revenues have steadily decreased, until to-day wheat at seventy cents a bushel is very unsatisfactory; I see that the average yield of wheat in the State for the last ten years is between eleven and twelve bushels per acre.

Q. That result is due not to taxation but the competition from the west? A. There are many reasons; we have decreased the price of wheat by the destruction of 1,400,000,000 of the people's money by cremation.

Q. What? A. Burning up the greenbacks; demonetization of silver and opening up the great west.

Q. What have to say of the laws which are necessary to secure a more equitable distribution of the burden of government to relieve farming lands from the burdens under which they at present labor? A. Farmers as a rule do not realize that of the tax collected from their farms but a small portion goes to the State government — one-fifth I think; but still I have measures by which we could spread the burden of taxation out and do it more effectively; I am in favor of making mortgages under the law real estate for the purpose of taxation; that law is in effect in California and is very effective; again, in order to enforce such a law and to tax all personal property, I would have every bond or mortgage or a note or any paper in any such form bear

an official stamp, or the value of the paper would be vitiated, unless it bore the stamp say of the assessor; such a law was in force during the recent unpleasantness with our southern brethern; I would have every man his own assessor — the listing bill, and if any person swore falsely in giving the value of his estate, and if it was proven by any person that such an omission was made intentionally that the property be confiscated, three-fourths of it to go the State, and one-fourth to the party or parties that proved the guilt of this man; I have an impression that a very few instances of that sort would have a salutary effect upon making men honest.

Q. What is the sentiment of your community with regard taxation of mortgages? A. The general sentiment is that they should be taxed; that can be very easily done also.

Q. What is it in regard to the question of adopting the listing system? A. I have just spoken of that; the general sentiment of the thousands of farmers — I might say here that I have been getting the sentiment of 20,000 farmers in western New York and we have consulted on the question; we are in favor of the listing system, with such regulations as I have just stated here.

Q. What is the sentiment in your vicinity and in your association of the Farmer's Alliance upon the question of the allowance of deducting on personal indebtedness? A. The sentiment is among our people that every man no matter whether he has one dollar's worth of personal property or $10,000 should pay his just and equitable proportion of tax upon it.

Q. What is the sentiment with regard to the present rate of interest and the necessity of a reduction? A. We are united in favor of reducing the interest to five per cent for the reason that we believe it would be beneficial to a great majority of our farmers; it was argued a few years ago when the rate was lowered from seven to six per cent, that it would drive capital out of the State and that farmers would be unable to get loans, but the fact is that in the course of a few years after that reduction we were fully as able to obtain loans as before at seven.

Q. What is the sentiment of taxing savings bank deposits? A. We are in favor of it; it represents personal property.

Q. Do you think that the raising of the entire State tax by the State independent of the counties would afford a measure of relief to the agricultural interests of the State? A. It depends a great deal upon what expenses were to be placed upon the counties in such a case.

Q. Assuming that all those which are at present borne by the State will continue to be so borne by the State? A. Assuming that, it would be beneficial to the counties.

Q. In the event, then, of such a scheme being devised, what would be the sentiment of your community in regard to the adoption of what is known as the local option tax law? A. We would not be in favor of that; I base my reply upon this, because the fiscal system of this State as we have it now devised is the most important factor in the education and development of a free and intelligent people, and I believe that all possible means should be devised and a liberal amount of money expended for the furtherance of our fiscal system.

Q. You do not understand my question; my question has relation simply to the local option tax law which allows such county to regulate for itself what shall be subject to taxation; we do not propose to interfere with that system or with its development or progress? A. I am not in favor of a local option tax law.

Q. What reasons are there to sustain your views? A. Here are two counties adjoining, Monroe and Livingston; Livingston says we will tax real estate and personal property and the other says we will tax real estate alone; it would have a tendency to put our personal property to Monroe at the time the assessors went along.

Q. Could that be overcome by changing the tax laws so that the tax should be laid upon personal property where it was located without regard to the residence of the owner? A. It might be.

Q. In that form, would the local option laws be satisfactory to the people in your vicinity? A. I would not answer that before

giving it more careful consideration; we have not discussed it in our conventions.

Q. What is the sentiment of your community in regard to the inheritance tax? A. We are in favor of its continuance and believe it should be a graduated tax.

Q. What is the sentiment in regard to its being levied also upon real estate in the same instance where it is now levied upon personal property? A. It should be levied upon real estate as well as upon personal; although a farmer, I am in favor of having the same laws govern both real and personal property.

Q. Have you any suggestions to make to the committee, to which your attention has been called? A. I believe not.

By the Chairman.

Q. Do you think that the present condition of the farmers from the standpoint of indebtedness is attributable to the burden of the State taxation? A. Only to a very small degree for the simple reason that but one-fifth of the tax raised in our county goes to the support of the State.

Q. One of the main purposes of this inquiry, what, if anything, can be done to relieve the condition of the farmer by a change of the tax law; now, have you anything to suggest by way of amendment as it applies to the collection of the tax for the general State government? A. Well, I have offered my suggestions that all personal property, such as bonds, mortgages, and the like, should bear a stamp of the assessor to be any value; that would place every single particle of personal property of that nature before the assessor which would have to be taxed; more than that, I would have, if possible, all stock in stores taxed: now, in Rochester, I am familiar with a gentleman, a friend of mine, who carried a stock in some eight or ten stores, probably $200,000 on which he pays not one cent of tax; what is true in his case is true of a great majority of the merchants in Rochester; this personal property is their capital that they are doing business on.

Q. Suppose that property of the character you have just mentioned was uniformly assessed, do you think that would afford any visible relief to the farmers of Livingston county? A. Most assuredly.

Q. Do you think that the condition of the farmer would be relieved to such an extent that a year of two hence he would feel the effect of it? A. He might feel the effect of it; it might reduce his taxes a little; I had a very interesting talk with Governor Flower; he said the laws were all right if they were enforced; he said he was going to have a talk with the comptroller, and I would find that it would be different.

Q. You can not see anything that the comptroller could do towards remedying the existing difficulties in the administration of the tax laws in the county of Livingston? A. The Governor said so; I am quoting him.

Q. I am asking you now? A. No; I told him I didn't have any faith in it at all, and he said it would be done.

Q. You mentioned here a little while ago that the lands owned by the Delaware and Lackawanna railroad were assessed, you thought, for about one-fourth of their actual value? A. Yes, sir.

Q. That is not attributable to the present law, but to the method of its execution, is it not ? A. The method of its execution; yes, sir.

Q. Now, the fault lies entirely with the local officers of the towns of Livingston county in that respect? A. The fault in that regard lies with the men that can be bought and sold by railroad corporations.

Q. How can we remedy by legislation that unfortunate condition of affairs? A. If you will just submit a paper to that corporation, and let them swear to the value of their property in Livingston county, if it is proven afterwards by competent experts, then have one-fourth of it and the balance will go to the State; I have an impression that railroads are not anxious to lose their property.

Q. It is your opinion, is it, and you seem to evidence it, that the average assessors in Livingston county are corrupt? A. No, sir.

Q. What do you mean by saying that so long as the laws are

executed by men who can be bought and sold? A. I know that people are influenced a great deal by money throughout this country in politics; don't you think so?

Q. No; it has not been my experience that the average man can be bought and sold? A. I don't think so either; the average man is an honest man.

Q. Is that basis of valuation that you have referred to, one-fourth on lands owned by railroad companies, uniform in your county? A. Yes, sir; I believe that of the actual value of railroads in our county but one-fourth of their value is assessed; that is my opinion.

Q. Has that subject agitated at all among the people — the subject of the failure of the assessors to perform their duties? A. The assessors have performed their duties and assessed one particular railroad up to $64,000 a mile, I think, and the railroad companies appealed from the decision you know, or the assessment, carry it to law one year to another, and then at the next election you will see the board of supervisors elected, a majority of them railroad men.

Q. Then the fault lies with the people of your county? A. In what way?

Q. For electing men that are well known railroad men? A. They were not well known railroad men before they were elected, but it panned out that way when they came to sit on the board.

Q. Do you find that condition of affairs to obtain year after year; that men are elected to office in Livingston county and proved false to the interests of the pople they represent? A. In some cases it is so; there are some men elected upon a purely political platform, and have no connection with railroads, and when it comes to treating a subject like this in some way or other they will vote in the interests of the railroad and against the people.

Q. Can you say how the Legislature can remedy that unfortunate condition of affairs? A. Not with the present laws; no, sir.

Q. What suggestion or modification would you recommend that would remedy that evil? A. I believe I have briefly outlined it.

Q. Other than the listing system? A. I would not suggest a remedy other than that; let them swear to the value of their property; let their books be opened — what it cost to build it; then compare it with what the road is worth; then confiscate part of it if they have sworn falsely.

Q. You suggest a rather severe penalty? A. Yes, sir.

Q. Under the proposed listing system, viz., that of confiscation? A. Yes, sir.

Q. Have you given the question of such a radical change as that serious thought? A. I have.

Q. And you really believe that the penalty for that ought to be the confiscation of the property covered by the statement? A. I do; for the reason that the time has come when the owners of personal property take advantage of the present law and evade the collection of tax upon it to such an extent, that the time has come when radical measures must be employed to collect taxes upon that property.

Q. Judging from the experience of the past, is it your opinion that men can be made honest by operation of law? A. Not honest in their hearts, but honest in their outward actions by fear of the property being taken away from them.

Q. You think that to take a man's property would have more effect in making him comply with the law than the risk of losing his personal liberty? A. Yes, sir; certainly; lots of men will lose their liberty for a year or two for the sake of making a few thousand dollars; it is no disgrace to be a jail bird if he is a big thief; it is an honor; look at them in Canada; they are high mucks mucks; but take their property away that will tend to make them honest outwardly.

Q. Don't you think they would be willing to run the same risk of losing their property that they would of losing their liberty? A. No, sir; I will admit that my suggestion is a drastic one, but I think it is required.

Q. I did not notice whether you expressed an opinion as to the wisdom of the proposition to relieve real estate from taxation for State purposes? A. I had not given that serious thought, but

the question as put to be by the judge was with the assumption that the State funds will still be used in taking care of all the different objects that they are at present, and I would be in favor of it; I might change my mind by looking into it more; if there was no tax levied upon real estate, and the tax levied upon corporations by the State, and still the school moneys be distributed throughout the counties as they are it would seem on the face of it very favorable to real estate owners; but still I am willing to be an advocate of any law that will be for the welfare of a majority of our people, whether they be owners of real estate or personal property, and I have great hopes that this committee is going to get some feasible measure into shape that will be for the benefit of the many and not for the few.

Q. Have you made any investigation or inquiry with a view of ascertaining what per cent of the taxes for State government purposes are paid by the agricultural interests of the State? A. I do not just remember the statistics, but I believe that in the cities of New York, Brooklyn and Buffalo — I can not give you the figures; I can not think of them now.

Q. About sixty-five per cent? A. Something like that I believe.

Q. Haven't you noticed that it was reported that the agricultural lands of the State only paid about eight and one-half per cent of the total taxes for the State purposes? A. I had not seen that.

Q Now, is it not a fact that the burden of taxation that falls upon the farmer is largely local? A. No, sir; the fact is that the farmers — the consumers — throughout this State pay all the taxes — the common people; for this reason you tax a farmer upon his real estate; you tax him upon his personal property that you can see, his horses and cows, and so forth, and you go and tax a railroad company, a merchant or commission man, or anything as that, and the prices of his commodities are raised, so that they all come out of the people.

Q. Directly they are paid by the owner of the property? A. Yes, sir; but indirectly by the common people; they pay all taxes.

Q. Are you assessed for any personal property in Livingston county? A. No, sir.

Q. How many farms do you own? A. I don't own any myself; I live on a farm that belongs to my father.

Q. Your father is the owner of the farm that you live on? A. Yes, sir; my father owns about 1,000 acres in the county of Livingston.

Q. How many farms altogether in that thousand acres? A. Four different farms; it is a consolidation of really seven farms in four.

Q. Do you know whether your father pays any personal tax for the stock and implements on those farms? A. Yes, sir; I pay taxes upon the farm I reside on, and my brother on the farm he resides on, and my father pays the balance.

Q. Your father is assessed for the land and you are assessed for the stock on the farm? A. There is no assessment upon my stock on my own farm; my father is assessed but I have forgotten the amount of the personal tax.

Q. Is it not a fact that our local assessors in making up their estimate of the valuation of a farm estimate it very largely upon the amount of stock it will carry? A. It is not so in our county; we are not dairy people.

Q. You say that you are not assessed for any of the stock on your farm? A. No, sir; I am not.

Q. Now, under the present law it is assessable, is it not? A. Yes, sir.

Q. Have you made any complaint to the local assessors that they have not performed their duty in failing to assess you? A. No, sir; I have not; I told them at the time they were at my farm this summer; they just simply drove through there and talked a few minutes; I says: "I suppose you have got all those people's farms assessed, haven't you, and all their stock?" They said: "Yes, we have not got their stock; do you owe any money?" I says: "Certainly, a few hundred dollars; I don't understand that is an excuse for assessment on personal property;" they seemed to think so; my brother has been farming longer than I have and has accumulated more personal property around him and he is assessed upon his personal property; I suppose because I was comparatively young in the farming business they did not

assess me; I told them at the time I thought it was no excuse because I owed a few hundred dollars.

Q. After they had seen you and given notice that the assessment-roll was complete and open for inspection, did you go to examine the roll and see if you were assessed? A. Not until the other day.

Q. You have made no complaint that the assessors have not performed their duty? A. No, sir.

Q. How many years have you been paying taxes on this farm? A. Five years.

Q. You have not been assessed for any personal property during that time? A. No, sir.

Q. Yet you have made no effort to make them perform their duty by assessing you on personal property? A. No, sir; just on the principle if they did not assess other people they should not assess me.

Q. Did you never stop to consider that you could compel those officers to perform their duties? A. I suppose I could go and swear I was worth so much personal property and they would assess me.

Q. Recognizing the fact that the assessment-roll was incomplete, did it ever occur to you that you might have instituted some proceedings to make the assessment-roll complete? A. By swearing to my own value of the personal property.

Q. Yes, sir; and that of others? A. It is a question under the present laws whether you can prove that other people have personal property if they swear they have not.

Q. What effort have you made to compel the assessors of your town to discharge their duty under the law? A. I have not made any for the reason that I believed the law is so inefficient that any attempt would prove a failure.

Q. You understand the law and what it provides for as to personal property? A. Yes, sir; to a certain extent.

Q. It has not been complied with in your case? A. No, sir.

Q. Have you made any effort to have it complied with? A. I have not.

Q. Then the fault in that case would seem to be with the execution of the law and not the law itself? A. Yes, sir.

Q. Don't you believe if you had gone to the assessors and insisted upon your assessing your personal property they would have done it? A. I think they would; Mr. Flower talked just as strongly in favor of assessing personal property as I did.

By Mr. Hamilton.

Q. Do you know of any effort made to raise the valuation of the Delaware, Lackawanna and Western's property to its true standard? A. I said that the assessors did assess it $64,000 a mile and they appealed from the assessment and it was put afterward back down to I think $20,000.

By the Chairman.

Q. By appeals to the courts? A. Either the courts or the State Board of Assessors; I have forgotten which, it was a year or two ago, and the exact facts have slipped my memory.

Q. Can you tell the committee how they arrived at the value of this railroad land? A. No; I can not tell you how they arrived at it, for that reason I would be in favor of having a railroad company swear to the value of the land themselves, with the penalties attached as I have stated.

Q. Now, after the courts had decided that the lands were properly assessable at $20,000 a mile were you still of the opinion that the assessment was unjust? A. I have forgotten whether they appealed to the courts or to the assessors of the State.

Q. The proceeding is by writ of certiorari in the Supreme Court; now, in view of the fact that the court decided that the claim of the railroad that the land should be assessed at $20,000 a mile was sustained, are you still of the opinion that the assessment was wrong? A. I am, most assuredly.

Q. Do you think the railroads controlled the judges as well as the assessors? A. I would hate, you know, to state that the railroads controlled the judges as well as the assessors, but I have an impression to-day that the railroad control the entire country and therefore I am very much in favor of government

ownership of railroads and having railroads under the ownership or direction of the government, the same as in Australia, New Zealand, Switzerland and Austro-Hungary; in Switzerland when you pay three cents for a ride on the street cars you are contributing to the support of each child in the schools.

Q. Why not have the government control everything that obtains a franchise; why pick out railroads and telegraph companies? A. I would say railroads, telegraph companies and telephone systems; for instance, our postmaster-general stated once that he could build a line of telegraph connecting every post-office and send twenty-five words for ten cents and fifty or 100 words for twenty-five cents and make a profit at that.

Q. I presume the government could run farms and compete with the farmers; why not go as far as that; if it is good in one case why not in all? A. Because those companies obtain their charters under the supposition that it was for the welfare of the public; they have the right of eminent domain given to them to acquire property and if those corporations are started for the purpose of promoting public welfare they should be managed and controlled by the government, it is the people for whom the corporations are supposed to work and labor and not for themselves; then I speak further in regard to the plan, knowing there are a half a dozen different countries where the railroads are owned by the government; take Belgium, for instance, there is a system whereby you can ride from two to six miles out of Brussels for two cents; from six to twelve miles for four cents, and those rates have been a very paying investment; in Australia, a thousand-mile coupon for six dollars and eighty-one cents; the railroads, after paying operating expenses, turn in the excess of revenue to the government; the rates of New Zealand are quite low, not quite as low as those of Australia, as I remember, and yet those are very profitable.

Q. Do you think that the farmers of the countries to which you referred are in a better condition, generally, than the American farmer? A. I do not.

By Mr. Stranahan.

Q. Have you been in the habit of appearing before the legislative committees on those subjects? A. I appeared before the committee on general laws last year on the legal rate of interest.

Q. Have you appeared before the committee on taxes relative to the laws pending? A. I have not; no sir.

By the Chairman.

Q. Have you, in connection with the amount of tax paid by the agricultural interest of the State, taken into consideration the number of appropriations that are made by the Legislature for farming interests? A. Such as the appropriation for the State fair and the experiment station, and all those?

Q. Yes, sir? A. Yes, sir; those are very good things, but as an offset to that we have got a building down at Albany that cost $20,000,000 appropriated by the State Legislature, part of which was paid by the farmers for building a monument to the colossal folly of this State.

Q. You don't think that the people of the State of New York should have such a capitol? A. I hate to say it.

Q. Don't you recall when that was started that the farmers controlled the Legislature, and that it was their votes that put it there? A. On a $4,000,000 basis.

Q. In my seven years' experience, the farmers' vote for every appropriation? A. It is very strange; I don't think the farmer who represented me voted for it.

Q. Who is that? A. Roberts.

William Sweet, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You reside in the city of Syracuse? A. Yes, sir.

Q. And your business? A. Steel maker.

Q. How long have you been engaged in that business? A. From 1863.

Q. You employ a number of hands in your business? A. Yes, sir.

Q. Have you given any attention to the question of taxation? A. Very little.

Q. Have you conversed with people in your employ, or people of your acquaintance in your vicinity with regard to that question? A. Very little, indeed.

Q. Have you any suggestions to offer the committee in regard to this question under consideration? A. I can not say that I have very much; had I known for a week or two what was wanted I should have liked to have read up on the question and prepared myself to answer all questions with a good deal of satisfaction I think to myself, if not to you; I only knew about this the day before yesterday afternoon, and really don't know or didn't know what was wanted or expected; I should have very much liked to have posted myself to have answered you intelligently; my ideas of taxation would be that it should be listed, have every man assess himself; that is a broad statement of it.

By Mr. Guenther.

Q. You favor the listing system? A. I don't know what you call it; every man should have a ticket sent to him, assess himself and send it in.

Q. And swear to it? A. Certainly.

Q. You are in the steel business? A. Yes, sir.

Q. You have a large capital on which you do your business? A. Yes, sir.

Q. As a business man you know it to be a fact that a good many people do their business entirely on paper; what would be the effect if a man had to list himself, showing his indebtedness, which would be very near the amount of capital involved; wouldn't that drive him to the wall? A. Not necessarily, you need not publish it.

Q. If he makes that and files it with the assessors anybody can see it? A. If the law was made so; the assessors could see.

Q. You would make them sole judge then? A. Not necessarily, that would depend upon the system which you adopt.

Q. As a business man you would not think it a good idea to have every man's indebtedness known? A. Yes, sir; I do.

Q. Would you be just as apt to loan a man $10,000 if you knew he had a capital of $10,000 and owed $10,000? A. Every tub should stand on its own bottom; I will tell you what I do when the assessors come; there is the clerk, there is the bookkeeper and there are the books; there is not any question that you can ask of that bookkeeper but what he is bound to answer, and answer truthfully; that is the bottom which I have always stood on; I came to Syracuse in 1858 with $350, and I now do a business of $850,000 a year.

By the Chairman.

Q. You take quite an interest in the affairs of the farmers do you not? A. Yes, sir; I have a brother up here on a farm; when he can not get along I send him some money.

By Mr. Guenther.

Q. You do a business of $800,000? A. Yes, sir; on $200,000 capital.

Q. Can not you tell just how some other man can do the same business? A. Yes, sir; I can; I have told it to a great many young men; commence to save; the first dime you get put it in the savings bank; when you get another put that there.

By the Chairman.

Q. Have you given such attention to the interests of the farmer that you are able to say anything to the committee as to whether he is unjustily burdened with the expenses of government? A. State government?

Q. Yes, sir. A. I say most emphatically he is not; a year ago last summer I was president of the road association; I used to say to the farmers in undertaking to get through the Richardson road bill that if that became a law that for every dollar expended ninety-two cents would be paid by the cities, and the farmers would pay

eight cents or eight and a half cents of it, and they were the ones that could not afford to be against the Richardson road bill; it should have been a law; all the money could have been earned and paid back to the farmers by working on the roads.

Q. Do you believe the legal rate of interest should be reduced from six to five per cent? A. I am a borrower of money, and as a natural inference I should say yes, but as a broad principle I hardly think I should say so; I think six per cent is about right.

Q. For the general good would you say no? A. I would say no; I borrow large amounts of money — all my credit can stand sometimes.

Q. Do you believe mortgages ought to be taxed? A. Yes, sir; there is no capital except a man's brains; the money is the savings of capital, and all savings should be taxed an equal portion of taxation; if I and my brother had been left by our father with $10,000 and a farm worth $10,000 and he would say "You take the $10,000 and I take the farm;" I can not see any reason why $10,000 should not pay taxes as well as the farm.

Q. If you loaned him that money and took a mortgage, there is no reason why that mortgage should not be taxed? A. There is no reason; I am situated just as I am talking; I left the farm and he is on it; I have been pegging away and he has been; I think he has worked harder physically than I have, but I have worked hard with this thing, and there is very little hair on it now.

Q. While producing good results for yourself haven't you also done more for the general good than he has? A. I am a little modest on that; let somebody else tell that.

Q. Take two other men similarly situated? A. I suppose the world would say: Yes; I have just done all I could.

Q. You have been a public benefactor with the great business that you have built up here, which has been a public benefit, and to a greater extent than from the standpoint of taxation; don't you think so? A. I think so.

Q. As a practical proposition, what would you say to the advisability of the amendment of the statute which would raise the

entire expense of State government independent of real estate from the bonded indebtedness of corporations and collatral inheritance laws? A. That would be in the same road that I have been traveling — bonded indebtedness; if a corporation issues bonds, they are usually bought by wealthy people, and there is no reason why they should not pay some tax upon them, and if through that means the State taxes could be all raised, I should say, do it by all means.

Q. If it could be raised on a tax of less than half a mill, you would think it was onerous? A. No, sir; I think it would be just.

Q. Don't you think it would be a long step in the direction of solution of those questions if the people could be given to understand that all the taxes they had to raise at home was for the local government? A. I should think so; they would begin to realize then what the taxes were.

Q. And that economy began at home? A. Yes, sir.

Q. As a manufacturer, what would be your views as to the option law, in the event that the taxes raised by a county would be applied solely to its own expenses? A. I have not given that any study, but it seems to me it would make a kind of conglomeration of business in the State; on the moment, I would say no to that; there had better be a system; if the State tax was raised by other means then there should be a general system that would have a proper supervision by the comptroller.

Q. Would not the other plan give the localities that perhaps did not have natural advantages, by relieving manufacturing establishments from taxation, it attracts such establishments to them? A. In some places it might.

Q. Would not that operate directly upon your own interests; Syracuse might encourage manufacturers either by levying no tax or putting a small specific tax? A. It might, of course; there are a good many people that have written to our association and wanted to know if we would not give them some money; I think two have come here by giving them land but it would not

make much difference one way or another; if so much taxes ought to be raised in this county and there is property exempt, others would have to pay it just the same; we might just as well give them five dollars apiece.

By Mr. Gifford.

Q. Wouldn't it have the effect to centralize capital at the expense of the rural districts? A. Usually the supervisor of the towns would have to look out for that; now we have got more supervisors than they have in the towns; we have nineteen now; I don't know whether that would work or not; it seems to me it would create controversies.

Q. Suppose that the city of New York exempted personal property from taxation, and the board of suprvisors in counties adjoining had the right to assess personal property or exempt it, what would be the effect then, would it not force the board of supervisors in those adjoining counties to follow suit? A. I think it would.

By the Chairman.

Q. Wouldn't that seem to be an argument in favor of exempting property? A. It would to a certain extent.

Q. Can you give any reason why you think personal property ought to be exempted ? A. No, sir; I take the broad ground that everything should pay an equal amount of taxation, even to railroads.

Q. If properly protected by law they ought to pay for that? A. I should think so.

A. P. Potter, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You reside in Syracuse? A. I do.

Q. What is your business? A. Printer.

Q. How long have you been engaged in the business? A. Twenty-five years.

Q. Have you given attention and investigated the subject of taxation? A. I have.

Q. Examined it in its various details? A. I think I have.

Q. And also discussed it with the people of the city? A. Very largely with certain classes of them.

Q. With what classes? A. Working classes mostly.

Q. Are you a member of the various societies? A. The Federation of Labor, the Knights of Labor, and also a member of the Grange.

Q. In your meetings have you heard those questions discussed and taken part in the discussion? A. Very extensively during the past two years.

Q. What have you to say as to the propriety of modifying the present tax laws so far as they affect the agricultural and other interests of the State? A. I think they should be modified.

Q. In what respect? A. To bring about a just basis of taxation — to find a just basis.

Q. In what way do you suggest those modifications? A. I think taxes in the place should be taken from personal property.

Q. You think personal property should be relieved from taxation? A. Entirely.

Q. Then how would you receive the necessary revenue for the support of the government? A. On the unimproved value of land.

Q. You are an advocate then of what is known as the Single Tax system? A. I am.

Q. What do you say as to whether capital has been or is being driven from the State by restrictions affecting corporations? A. Any such restrictions I think would result that way, undoubtedly so.

Q. Then as a necessary result of your views you are opposed to the taxation of mortgages are you not? A. Yes, sir; I would be opposed to the taxation of mortgages.

Q. Is that view generally entertained by members of those organizations to which you belong? A. No, sir; I don't think they have any view on the subject at all; there are a great many of them talking of it and inclining in that direction.

Q. That has been recent? A. It has been going on for two years; many are changing their opinion upon it and many have no opinions upon it at all.

Q. Have you discussed or heard discussed the question of raising the entire State tax by a specific tax other than by counties? A. I do not exactly understand your question.

Q. That the entire tax for State purposes should be raised by the State by a specific tax? A. On what?

Q. Such as the inheritance tax, corporation tax, bonded indebtedness of corporations and the like, and relieving the counties from all necessity for contribution for that purpose? A. You reach a conclusion by your question which I should question; I would question whether that would relieve the counties from all necessity of contribution.

Q. I mean direct? A. It might relieve directly, but there would be an indirect construction, which would be the same thing.

Q. If the tax was laid specifically upon inheritances? A. It would be raised by people in the counties.

Q. Have you considered what is known as the local option tax law? A. Yes, sir.

Q. What are your views? A. That local option should be permitted in any locality.

Q. Have you any other suggestion to make to the committee in regard to this question of taxation? A. I think that local option should be made a law; that localities should be permitted to say how they shall raise their taxes provided they raise enough; that the amount that is apportioned to them shall be guaranteed, but the manner in which it is to be raised I should leave to each county on this ground, that these new systems of taxation would then be tried and the result good or bad could be definitely settled before it was tried by the State or larger divisions; it would

give opportunity for the trial of such a system, which seems to be needed; the present system is undoubtedly wrong; the taxation here shows it; I examined the books before I came here, and I found that there is $52,000 less personal property than last year; the assessors' books for 1891 show that personal property was assessed $3,380,389; in 1892 it is less by over $52,000, or $3,328,296, when it can not be possible that the personal property has decreased; it has largely increased. People conceal their personal property; they swear it off; I think the amount of personal property on the assessors' books will be found to increase each year.

By the Chairman.

Q. Is it your opinion that the average citizen is opposed to the idea of taxing personal property? A. No, sir; I don't think he is; I don't think the average citizen has inquired regarding it.

Q. Do you think there is any sympathy with the average holder of personal property with the law which calls for the taxation of such property? A. Well, the average holder — I should say that the majority of the holders don't know much about it; but I should say there is a very large growing sentiment in favor of the abolition of taxation of personal property that is increasing each year; I think there was an organization here among business men a year or so ago looking towards that end; and then this effort to get the listing law, that was fought extensively by the merchants of this city.

Q. Are you in favor of reducing the legal rate of interest from six to five per cent? A. Under present conditions I don't see but that might help some; I don't see why there should be a legal rate of interest at all; I would be in favor of leaving it to the borrower and lender.

James Carroll, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You have been a member of the board of assessors of the city of Syracuse? A. Yes, sir.

Q. For how long? A. Two years.

Q. What is your business? A. Mason and builder.

Q. What have you to say as to the propriety of modifying the present laws in relation to taxation, assessment and interest so far as they effect the general interests of the State? A. I should be in favor of taxing bonds and mortgages, because I consider it the grossest outrage that the great masses of the people suffer under at the present time; I consider it unjust where a man buys a house for $3,000 and pays $500 down, to have the man who has got that mortgage in his pocket come in to the assessors' office and swear, in violation of the truth in many cases, and go out, without paying his proportion of the public burden; I say that a man should pay in proportion to the interest he has got in the property.

Q. Is it your experience that that character of indebtedness escapes payment of its proper proportion? A. I should say nineteen-twentieths of it.

Q. Is that owing to any deficiency in the law? A. One reason is the assessors do not perform their duty; they do not wish to assume the responsibility of making enemies of those men, and of course, they let it go by.

Q. How could it be overcome? A. By making this man swear, and the assessors, if they act in a judicial capacity, might send a few of them to State prison occasionally.

Q. Are you in favor of adopting what is known as the listing system to correct that defect? A. I don't know as I would.

Q. Would you be in favor of allowing an offset for personal indebtedness? A. I should allow him no more privileges than the man who owns real estate; my idea would be when the assessors inquire who owns the mortgages, the owner of the mortgage is so and so, and I would take his name right on the book; it is a simple matter.

Q. Would you relieve real estate by a deduction for its indebtedness? A. I should; yes, sir.

Q. Have you any other suggestion to make to the committee? A. There is another suggestion that I have that I think is quite a grievance to the labor element, and that is where parties buy large tracts in the suburbs of the city with the intention of

making twenty-five to fifty per cent, who go to the assessors and use all means to have this tract assessed as farming land, and the parties who try to build up a home for themselves and children, the whole responsibility comes on them; I consider that a gross outrage on the people; they have great tracts of land and a million in money; who pays that; it is the parties who are trying to buy homes for their children; it is a gross outrage.

By the Chairman.

Q. Where does that come in? A. Those parties who buy tracts of land in a great many cases they do not pay one-tenth of what it is worth; then, when they sell a lot to mechanics or others, they charge them exorbitant prices.

Q. A purchaser is not bound to pay that? A. He is to a certain extent, because those parties will take $500 on a house worth $2,500.

Q. Do you think they ought to be compelled to sell their land for less? A. No, sir.

Q. Where is the remedy? A. Those parties that have the mortgage make them pay.

Q. Don't you think that the gross outrage is here, that men that take the position of assessors, take an oath to perform their duties and fail to do it in so far as they assess that property instead of city property? A. Yes, sir; I know that to be a fact, and a man that assumes the responsibility of living up to the strict letter of the law is placed in a false position.

Q. How many assessors are there in Syracuse? A. Four.

Q. Are you one of them? A. No, sir; not now; the law can be violated with impunity; I have known bankers come into our office who sold property for $14,000 and they want that appraised for $1,000; a gentleman came and stated that he sold off a portion of the property to a certain man; I saw the man previous to that and I asked him how much did he pay for this; this man came in and says: "I want this portion of the property stricken out." "What did you get for that?" He says: "It is none of your business; it is outside of your business." "Well," I says,

"It seems to me it is necessary we should know." He says, "You take $1,000, that will be all right." I says, "I can not do that." I asked him, didn't this gentleman pay him $14,000; he went out of the office in a huff and refused to pay, but he had to come to time to a certain extent.

Q. How much did you deduct — $14,000? A. Not quite that; we trimmed it down a little; there are thousands of men in the same way, and your experience going around the State must show you the same thing.

Q. You say that one of the great difficulties is that the assessors don't enforce the law? A. Yes, sir; I say so.

Q. How do you remedy that defect? A. It is a pretty hard matters; of course, we all have our friends more or less, and they wheedle us, etc.

Q. Of course, the Legislature can go on passing laws year after year, but if the officers created under the law will not enforce the law, then the remedy does not seem to be with the Legislature? A. Then create a good wholesome public opinion; have those men held up to public contempt and send a few of them to Auburn once in a while.

Q. Have you made any effort to do that? A. Yes, sir; I have tried it and made enemies by doing so; I have made enemies by doing so; I have had a banker invite me over to his office to try and coax me out of it, and I said "no; you can not do it; you had better go over and talk to the board;" it is a pretty trying position.

Q. How are the assessors created here; are they appointed or elected? A. They are elected; they try to do what is right, I suppose.

Q. What is the difficulty that confronts a man that tries to do his duty; is the difficulty in trying to get a nomination or an election? A. You can not get a nomination unless you will allow yourself to be made a catspaw for some party or other; a man who goes in there entirely independent and tries to act just in accordance with his conscience is in rather a peculiar position.

Q. Can you suggest a remedy? A. I should be in favor of

taxing mortgages; I should be in favor of having the assessors brought up once in a while and made examples of.

Q. Don't you know that can be done now? A. Yes, sir; of course the assessors can act in a judicial capacity, but you know the onus they assume if they do it.

Q. Don't you know that every act of theirs in fixing value can be made a subject of review now by the courts? A. It is occasionally; it is a very rare incident when they go to the courts, very few cases.

Q. You think there is a very general and strong ground of complaint in that direction in the city of Syracuse? A. I am confident of it.

Q. Have you made any effort at all, other than by your acts as assessors to have those conditions remedied? A. I have in public meetings and in societies that I belong to; it is generally understood to be a gross outrage; parties that speculate and buy land and parties that try to buy a home to avoid paying rents, in some cases where they don't own over one-tenth, I say it is a gross outrage that they should pay the whole of it and the parties owning the mortgage not pay a cent.

Q. Your suggestion is to remedy that case would be to allow the holder of the fee of the property a reduction to the extent of the incumbrance upon the property he holds? A. Yes, sir; and reach the man that owns the mortgage; just take a memorandum of the name; it is very simple; of course the influence is too powerful; the influence of the concentrated wealth of this State is too much in Albany for my understanding.

Q. How about Syracuse? A. The same thing holds good here; you can not reach those men.

Q. How many years were you assessor? A. Two years.

Q. One term? A. Yes, sir.

By Mr. Guenther.

Q. Have you ever thought of this proposition, you say a man buys a house and lot for $3,000 and pays $500 down, and there is a mortgage on for $2,500; the person that bought the property should pay a tax on $500? A. Yes, sir; on his equity.

Q. Don't you know it to be a fact that he is enjoying that entire property and why shouldn't he then pay for it? A. He is enjoying it but he has not got the interest; he can be put out at any time, but this man that has got three-fourths of the interest in his pocket is not paying a cent of tax.

Q. This other man is getting off from paying rent? A. He does this to avoid paying rent, but in a great many cases they pay a certain amount and then they can not meet their obligations and the result is they lose it all.

Q. In your opinion the whole trouble is that the people who are entrusted to perform a certain duty fail to perform their duty, and not with the law and public opinion is very peculiar and those men don't want to make enemies.

Q. Then the trouble is that men entrusted with this do not perform their duties? A. They trim with the public to a certain extent.

By the Chairman.

Q. What do you think the earning capacity of money ought to be — not in business, but as an investment, what do you think it ought to produce; the rule is to have it produce all they can get, I suppose; but I suppose five or six per cent ought to be reasonable but in a great many cases they realize twenty per cent.

Q. I mean money invested for the interest it would bring, not in an every day business, but as a solid investment; what interest do you think it ought to pay in order to compensate a man for his money? A. The legal rate is six per cent.

Q. I ask you what you think it ought to produce to compensate a man for the loan of his money? A. Where a man loans a large amount of money for a long term he can afford to loan it cheaper; I should think five per cent.

Q. If you had $25,000 to loan on bond and mortgage it ought to produce what; there are money lenders that realize eight and ten per cent; this city is infested with that class of men that take advantage of the poor and realize twenty-five per cent, and you have got it in New York and Brooklyn.

Q. A good rule is the golden rule; put yourself in the other's place, what would you like to receive, and what do you think would be a fair compensation for a loan of $5,000 that you would make? A. If I had that amount of money I think six per cent would be reasonable.

Q. It ought to bring you six? A. Five or six, human nature as a rule is selfish and we try to do the best we can; when you come right down to the practical application we will get all we can.

Q. You would do the same thing wouldn't you? A. Yes, sir; I think I would.

Q. But when we criticise and find fault we are not so apt to think what would be our personal view if we were in the other man's place? A. No.

Q. You think if you had money it ought to produce at least five per cent? A. Yes, sir.

Q. What do you find to be the average rate of interest in the city of Syracuse on mortgages? A. Some of our large business blocks recently built have borrowed money for a long term I understand at four per cent, a large amount.

Q. What is the rate of taxation in Syracuse? A. It is nominally assessed full value.

Q. I mean the rates? A. I should judge about seventy-five per cent.

Q. What is your tax rate; you don't understand? A. I think it is a little over one per cent — one dollar and eighty cents.

Q. You say those loans are paying four per cent? A. I have understood so.

Q. You would be in favor of assessing those mortgages one dollar and eighty cents? A. I should assess them a reasonable amount; I would assess them so as to make them pay in proportion to the interest they have got in the property.

Q. How would you distinguish between the assessment on mortgages and other property? A. Suppose the assessors went around and said: "We have assessed you so much;" they would

say: "Here, I have got a lien on this," say $250,000; "What do you pay on that;" "four per cent," and then the assessor could take a memorandum of it and look at it and say: "Let us equalize that matter."

Q. Do you mean to have them maintain a distinction — to fix a value on the mortgage or to lower the rate on the assessment? A. I don't believe in allowing the assessors too much discretion; I would want a uniform rule.

Q. Wouldn't you have the mortgage assessed for its full value? A. Yes, sir.

Q. Wouldn't you have the same rate of taxation on the mortgage that you had on the real estate? A. It seems to me that it ought to appear the same.

Q. Inasmuch as you say that the amount of the mortgage ought to be deducted from the value of the real estate itself shouldn't the assessment rate be the same? A. I think so.

Q. You think then that it would be fair to assess a mortgage that was paying four per cent one dollar and eighty cents? A. Of course those matters could be adjusted by a little judgment and discretion; there would have to be some discretion with the assessors; I would prefer to have manufacturing establishments assessed at a very low rate, such as the Sweet works and all those large interests, I should be in favor of touching them very lightly in the matter of assessment.

Q. That would be in valuation? A. Yes, sir.

Q. But the rate would be the same? A. Yes, sir; it would be virtually the same.

Q. Your mortgage of $5,000, what would you think of it when they came to assess your mortgage? A. If there was a uniform law the assessors could have some discretion and adjust them all in an equal and proper manner.

Q. What would you suggest? A. I should prefer to have a uniform law, but, of course, the assessors will have some discretionary power; you can not avoid that.

Q. What discretion could be given to the assessors to fix the value of your mortgage less than $5,000, if it was a good loan? A.

I should think it ought to be the same thing, but you get a man in a false position; you would have to regulate that by some discretion; you can not have iron-clad rules in those matters; the great thing is each man to pay in proportion to his interest in the public domain.

Q. Your recommendation was on condition that mortgages ought to be assessed? A. Yes, sir.

Q. Now, you say that your money ought to pay you five per cent? A. I think about that.

Q. Now, if you are going to assess that mortgage, one and eighty-hundredths, how are you going to get your five per cent? A. Of course, you would have to trim those matters down; you would have to use some discretion.

By Mr. Stranahan.

Q. The people say that if we got it all on the roll it would be much less than one and eighty-hundredths? A. The more property you reach the cheaper it would be.

Q. Might it not be the fact that what you have been complaining about as to the conduct of the other assessors in Syracuse — might it not have been the exercise of that same discretion which you think ought to be given them? A. I don't wish to say a thing to hurt their standing in the community; I say that public opinion to a certain extent has run in that direction, and the assessors are merely the representatives of public opinion to a certain extent; they try to do what is right.

By Mr. Guenther.

Q. When you first took the stand you found fault with the discretionary powers exercised by the assessors and claimed that they should not have that power; now you claim that the assessors should have that power? A. The fault lies in allowing those men to deduct indebtedness assumed before they go to the assessors office; they assume fictitious indebtedness; this is a notorious fact patent to everybody that has studied the question.

Q. You say you think your money ought to produce five per cent, and by saying that you must mean that it thereby should be exempted from taxation? A. Oh, you can not get me in that position; those things would eventually adjust themselves; you have got to allow some discretion to the assessors, but this is a gross outrage that stands out as a prominent fact: it is a gross outrage.

By Mr. Gifford.

Q. You say that your $5,000 in capital ought to earn you about five per cent? A. Yes, sir.

Q. If you had that same amount invested in farming lands, what do you think it ought to earn you then; would you like to have it earn about the same? A. It should, but they say they don't earn over three or four; why shouldn't it be as profitable there as anywhere else?

Elisha Cooke, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You reside at Poplar Ridge, Cayuga county? A. Yes, sir.

Q. You are a member of the State Grange? A. Yes, sir; of the executive committee.

Q. Are you also a member of the Farmers' Alliance? A. I was when it was in running order in our country; I have been a member.

Q. What is your occupation? A. I own a farm and have it carried on; my son is farming it; I am a farmer.

Q. Are you also engaged in any mercantile business? A. Not particularly; I am agent for fertilizers.

Q. Have you occupied the office of supervisor? A. Yes, sir; I have been supervisor of the county.

Q. For how long? A. I think it was seven years I was in the board.

Q. In those various capacities and as a member of the Grange and Farmers' Alliance, have you had any discussion and given any consideration to this question of taxation? A. Yes, sir.

Q. What have you to say as to the propriety of modifying the present laws relating to taxation, assessment and interest, so far as they affect the agricultural and other interests of the State? A. My opinion is that it is unjust to exempt debts upon personal property; I can not see the justice of printing them that way.

Q. Is that opinion generally entertained by the people in your community? A. I think it is as a general thing.

Q. In what direction should relief come in your judgment — by exempting it in either case, or refusing to exempt it in either? A. If it was practicable to do it, I think it would be proper to exempt it in both cases, but owing to the difficulty of getting any property to tax under such a law, I think it would not be advisable to exempt in either case, because there would be so many trumped-up debts on the road that there would be nothing to tax.

Q. Is the sentiment of your community in favor of the listing system? A. It is amongst part of the people; I don't think it is universal.

Q. Is it the prevalent sentiment or the exception? A. I should judge that it was the prevalent sentiment to a certain extent; I don't think it would be the sentiment to have the listing system just as the laws are, for the fact that I think the farmers would have an idea that everything they had could be seen, and it would be worse than it is now.

Q. How could that be avoided under the listing system? A. I think that if the law was changed so as not to allow exemptions on personal property for debts; couple the two together would solve the question.

Q. And would be beneficial to the agricultural community? A. Yes, sir.

Q. What is the sentiment of your community as to the present rate of interest? A. Well, I think farmers would prefer to have it reduced; I don't know; there has been very little said on that point in my hearing but personally I think it should be.

Q. Can you tell us the approximate amount of mortgaged indebtedness on farms in your county? A. It is a pretty hard thing to get at practically to make any more than an approxima-

tion; since I received Mr. Gifford's letter I looked over probably within say two miles of our town where I live, and I know pretty much the incumbrance on that; it might compare with the property in the rest of the town, and I found about one farm in three had a mortgage on it.

Q. To what extent? A. Of course some are more than others; in estimating the number of acres and the amount of mortgages as far as I knew, I figured that it would average about ten dollars an acre.

Q. What would be the average value of that land per acre? A. Ours is one of the towns which is bonded for a railroad and property is not selling now at all, the town of Venice it is assessed I think at about twenty-six dollars or twenty-seven dollars an acre.

Q. That would be a little more than the assessed valuation? A. Yes, sir; I don't think it would sell for much more than it is assessed on an average; the railroad facilities are limited and the bonding makes it dull; really the land is worth more; we are equalized to thirty-six dollars.

Q. Do you know whether that percentage is a fair average for your county or not? A. I should think it was.

Q. During the period of the past ten years has this mortgaged indebtedness of your community been on the increase or decrease? A. I should think it had been a little on the increase; not much difference; I think it has been on the increase to a certain extent.

Q. How about the earning capacity of farming lands in your county? A. That has been decreasing very much in the last ten years on account of the prices.

Q. What is the relative proportion of real and personal estate in your county as assessed? A. I think our roll amounts to between $600,000 and $700,000 in our town and the personal about ninety odd thousand; that would be about one-seventh.

Q. Is that the average also of your county? A. Very nearly; there is some $27,000,000 assessed valuation of real and 3,500,000 of the other that will be about the same proportion, about one-eighth.

Q. What in your judgment is the true proportion between real and personal property in your community — actual value? A. Outside of the city of Auburn?

Q. Yes, sir. A. Just the town?

Q. Yes, sir. A. I think personal property on the farms alone would average pretty clearly $1,000 to a hundred-acre farm, to say nothing of the mortgages as now given in.

Q. I am speaking now of all personal property subject to taxation? A. My judgment would be that there was about half as much personal property as there was real in our town, including the stores, mortgages, on the farm personal property.

Q. So that the true proportion of personal property upon which taxes should be collected, would be about thirty-three per cent of the entire tax, where to-day it is in the neighborhood of twelve per cent? A. Yes, sir; take it in the county entire I think it would be about fifty per cent.

Q. I believe you stated that the value of farm land in your county has been steadily depreciating? A. Yes, sir; it has.

Q. To what cause is that attributable? A. More particularly to the prices of produce.

Q. How far has the question of taxation, if at all, had any effect upon that decrease? A. It has had an effect on our own town, and taxes have been very high, paying interest on the bonds, that has affected it locally more than outside.

Q. That was owing to the voluntary indebtedness assumed by the town for railroad properties? A. Yes, sir.

Q. What the general State tax and the general county tax has not produced those difficulties or contributed materially to them? A. No, sir; I should not think it had.

Q. What do you think as to the propriety of modifying the present laws relating to taxation, assessment and interest, so far as they affect the agricultural and other interests of the State? A. I would say that there should be some way devised by which personal property could be reached; the assessment seems to be governed by a different rule in each county.

Q. Would the relieving of your county from the necessity of raising any part of the State tax be desirable? A. It would to those who live in the county, of course.

Q. If it were raised by this specific tax levied upon inheritances, bonded indebtedness and the like? A. Yes, sir; it has already affected our State tax.

Q. And in the event of such a scheme being devised, what would be the impression in your community as to the enactment of the local option tax law by which each county then would be at liberty to establish a rule upon the question of taxation, and the property which should be subject to it and the proportion? A. That is a point that I have never thought of; I didn't know there was any such idea; I kind of think that would be a good way to do it.

Q. What is the sentiment of your community in regard to the inheritance tax? A. So far as I have heard, it has been adverse; there has been a good deal of fault found with it.

Q. Of course, you know it has relieved the county from a great proportion of the State tax? A. The fault was found that we are affected by it without reference to its effect upon other people.

Q. I am speaking now as to the general sentiment of your community as to the present law? A. I think the general sentiment would be favorable.

Q. What as to the increase of it having what is known as a graded tax; the larger the bequest the greater the tax? A. I could not say as to that; I would not know hardly what to say.

Q. What would be the sentiment of your community as to the levying of the same tax for inheritances on real estate now levied under the law as to personal? A. My opinion would be that they should be placed upon the same footing; I don't see why they should discriminate.

Q. Have you any other suggestions to make to the committee to which your attention has not been called during your examination? A. Nothing particularly further than I have often been impressed with the fact that parties that are earning incomes in the

way of salaries to a large extent are exempt from taxation entirely, whereas farmers or any other business man that are not earning any more are taxed for the amount of their farm on which they earn it; it seems to me that taxation should be in proportion to the income.

Q. Would you favor an income tax? A. Yes, sir; if it can be done right — a certain kind of income tax; our country officers — judges, get $2,000 a year and they do not pay any taxes on that at all; the farmer has to have 200 acres to earn that.

Q. You would be in favor of an income tax confined to public officers? A. No, sir; let the income tax be on everybody, providing we can get at it right; of course, it would require careful laws to get at it right, but I never could see why, if I earned $2,000 on a farm, I have to pay and he has an education that didn't cost any more than the farm did, he should not have to pay any taxes; it seems to me that something should be done to catch those high-salaried fellows that don't pay any tax but live easy too.

By the Chairman.

Q. A farmer is taxed upon the amount of property he holds? A. Yes, sir.

Q. Whereas, the other man who has an income may not have any property at all, either real or personal. A. What difference does that make?

Q. You would tax the man's brains? A. The income which brains produce; it takes a good deal of brains to run a farm, as much in a certain way as any other business.

Q. In the one case you would be taxing capital and in the other case you would not? A. Well?

Q. If you taxed the farmer upon his brains or his income, you would not have the right of taxing him upon his capital? A. No, sir; not both; a business that produces something is able to pay taxes; farmers have got to pay taxes if they do not get a dollar out of the farm.

Q. Suppose a man has no business other than he may be employed by some one else? A. Tax him according to what he earns; it may be only a theory; it might not work practically, but I think it is right in theory.

Q. What is the sentiment of your community upon the question of taxing saving banks deposits? A. I never heard that discussed.

Q. What is your own individual opinion? A. I think there might be a tax on their income or something; it would not do to tax them on all their deposits; I don't see why they should not have some tax on them; it would be my opinion there should be.

Q. Suppose the farmers in Cayuga county were relieved entirely from taxation on the real estate, do you think that within a year or two years there would be any visible improvement in their condition on that account? A. Yes, sir; I think there would.

Q. Of course my question only relates to the State tax, for State purposes? A. It would be to a limited extent; of course there would be more inducement for people to buy land and it would be better for farmers to own land.

Q. How many acres do you own? A. One hundred and fifty.

Q. What is the basis of valuation for assessment; what is it valued an acre? A. The average of the town is twenty-seven; my farm alone I think is averaged about fifty; they reduced it some; it was fifty; about forty-five they have got it, but then that is higher than the proportion, because I have got more buildings and improvements.

Q. Have you any idea what proportion of the tax that you pay on that land goes to the State? A. I never figured it out.

Q. In 1890 you paid a tax amounting to about ninety-five dollars, didn't you? A. Yes, something like that; our town and railroad tax is about six dollars on 1,000 — the interest on the bonds, and they have been paying up some.

Q. The report of the State assessors shows that in your town the amount paid to the State for school taxes was $1,134; that

the amount paid to the State for other purposes was $1,417.50; the total amount of taxes collected in your county; the total amount contributed by you towards the State would be between one-fifth and one-sixth, and on that basis it would seem that the proportion of taxes that you paid that went towards defraying the expenses of State government was about sixteen dollars? A. I suppose that would be about it.

Q. Now you don't think that in the same proportion such a contribution as that from the farmers of Cayuga county has very much to do with the present depressed condition; it is not burdensome is it? A. No, if that was all it would not be a great deal, but taken in connection with other taxes.

Q. The other taxes are your own fault; you put them on yourself? A. Yes, sir.

Q. Is it not a fact that the burden of taxation in the town of Venice and in Cayuga county generally is largely of a local nature? A. Yes, sir; of course it shows that from the amount.

Q. And that the burden is in a very small part, that of the State — the expense of State government? A. Yes, sir; of course it is a small part in proportion to the other.

Q. The contribution of the taxpayers in Cayuga county to the State government can not in your opinion be considered burdensome, can it? A. No, not burdensome.

Q. And the present depressed condition of the farmer and the farmer's interests are attributable to other causes than that of State taxes? A. Yes, sir; but still that has got to be taken with a modification from the fact that the farming business has to compete with other business.

Q. Hasn't every other kind of business to do the same? A. Other kinds of business do not pay the taxes that the farmers pay, even in proportion.

Q. Do you think that the proportion of tax that the farmer is paying for the support of the State government is a good cause of complaint? A. It would not be if it was necessary for them to do it, but the fact is that so much of the property escapes taxation that is in competition with the farmer in business, and conse-

quently it works against the farmers, because their property can be taxed, whereas the storekeepers and merchants get rich by not paying any; the farmers pay more than their proportion, that is where the fault is.

Q. You mean that the farmers in Cayuga county pay more than their just proportion of State tax? A. Yes, sir.

Q. Have you considered that only from the standpoint of Cayuga county, or the whole State? A. I suppose the whole State is probably the same way; I don't know much about it, but I know that I don't believe there is a storekeeper in Auburn that pays one cent on his stock.

Q. Do you think they ought to? A. Yes, sir; I think they ought.

Q. Suppose they did, in what measure do you think it would reduce the burden of taxation; take your own case for instance, instead of paying ninety-four dollars and fifty cents a year how much do you think you would have to pay? A. Of course, I could not tell without figuring it out; I think it would reduce it about half; it would reduce the State tax and the town and county tax in the same proportion; it is not so much the State particularly, as it is the whole thing.

Q. Don't you think that the present law, as you understand it, if properly executed, is broad enough in its terms to reach all this property that escapes taxation? A. I don't think it is the way it is interpreted, because I know cases in my village, where a merchant — he is not living now — he had quite a stock of goods, probably $3,000 or $4,000 worth of goods; he bought government bonds, gave his note and turned the note against his stock of goods, and was exempted; a farmer can not do it.

Q. You believe that all personal property ought to be assessed? A. Yes, sir; I do.

Q. Including stock and implements on the farm? A. Yes, sir; I would not ask that they should be exempted; if they took other personal property, I don't believe in class legislation.

Q. Have you made any effort to have the law executed so far as personal property on the farm is concerned? A. I have never been an assessor.

Q. You are a citizen of Cayuga county, interested in the enforcement of the law? A. All the farmers owe more or less outstanding bills and they turn the personal in against it.

Q. Are you cognizant of the fact that you have been escaping taxation? A. I have on my stock and tools.

Q. Have you made any effort to have them taxed? A. No; because I didn't think they should be; I know the other fellows didn't pay any on personal property, and I didn't want to pay on real and personal both.

Q. Suppose you had gone to the assessors and told them you had so many thousand dollars worth of stock on your farm, subject to taxation, and insisted upon their assessing it, don't you think they would have done it? A. I presume they would.

Q. Don't you think if you had gone to the assessors and said that your neighbor had also a certain amount of personal property on his farm not taxed, that they would also have taxed him? A. I suppose they would; anyway if they could not show they had offsets, but most all farmers have offsets.

Q. Don't you think it was in your power to secure the enforcement of the law, so far as the taxation of personal property was concerned, on farms at least? A. Yes, sir; it would be on farms, but not on personal property of the other class; that is what I complain of.

By Mr. Guenther.

Q. Personal property held by you escapes in proportion taxation to the same extent as personal property held by some one in the city; aren't you getting the benefit as well as those in the city? A. We might be getting some, but nothing like the amount they escape.

Q. The only benefit you would derive would be the reduction of this sixteen dollars? A. No, sir; on the whole.

Q. Then it would come down that the people would elect people who would take care of their interests? A. They can not take care of their interests under the present law.

Q. Don't you make your own expenses in the town? A. We make the expenses but we can not make them pay in proportion to the value of the property in the town.

By the Chairman.

Q. Have you ever stopped to consider the amount of personal property of farm stock and implements that escape taxation in Cayuga county? A. To tell the truth I don't think there is any escapes of any amount but what the parties owe; there is hardly any of us but what have more or less floating indebtedness, notes or something of that kind.

Q. What proportion does the value of your personal property on your farm bear to your real estate; your farm is valued at $6,750; what proportion would your personal property bear to that? A. They do not assess real estate what they consider its real value; I should think about one-tenth would be as a general thing an average.

Q. You think you have got $1,000 worth of personal property on that farm that could be subject to taxation? A. It would be if I had no debts to offset it; of course that would be it if I had no debts.

Q. Do you think debts should be allowed when they come to assess personal property? A. No, sir; I don't think they ought to be.

Q. Do you believe in assessing bonds and mortgages? A. Yes, sir.

Q. Do you also believe in assessing the owner of the land without regarding whether it is incumbered or not as to its full value? A. I would be in favor of exempting indebtedness on real estate providing you could get enough to assess on to raise your taxes, but if it was allowed on real estate, there would be very little real estate assessed, just the same as personal now; consequently I would not be in favor of it, but I would be in favor of assessing everything, real and personal, without exempting debts.

Q. In other words, if your equity in your farm was only $3,000, and you had a mortgage for the balance, do you think you should be assessed for $3,000 or the full value? A. If you could get $3,000; I think you ought to exempt indebtedness on real estate, but you would not have anything to assess I am

afraid; I think it would be just but not practical, but I think it would be practical to equalize the thing by assessing all properties, personal and real, without exempting either for debt.

By Mr. Guenther.

Q. Take Buffalo, for instance, a man owns a thirty-foot lot 100 feet deep and has a little cottage on there that cost him perhaps $700 or $800, and he pays about twenty-two dollars to twenty-five dollars annually for a tax; you only pay ninety-five dollars for 150 acres; where do you think the unfair discrimination comes in? A. He don't pay that on county and State.

Q. City, county and State the same as you pay your tax? A. That is a city tax.

Q. Isn't it just as burdensome for him to pay that on a little lot as it is for you to pay ninety-five dollars on 150 acres? A. I suppose it is, but still he gets the privilege of living under the benefit of those taxes.

Q. For instance, what? A. Stone pavements to walk over the streets and to drive over.

Q. What good is that to a man who don't own a horse? A. It is better to walk on.

By Mr. Gifford.

Q. Wouldn't the taxation of all the personal property in the city of Buffalo relieve him of a portion of the tax on that real estate? A. Yes, sir; I think it would.

Q. Have you read the last report of the State board of assessors as to how much property is escaping taxation in the State — personal property? A. I don't know whether I have read the last.

Q. The last report states that 4,000,000,000 of personal property is escaping taxation; suppose we could reach that, do you consider it would reach the taxes on every real estate owner; we won't say anything about the farmers; don't you think that would reduce the rate of taxation on all real estate fully one-half? A. Yes, sir; I think it would; that affects all kinds of tax, not only the State, but all.

Q. Don't you think that the farmers would be perfectly willing to pay their tax on personal property on the farms, provided all other personal property could be reached and taxed? A. I know I would personally, and I think a majority of them would; I think they don't understand it.

Q. You stated something in regard to the local option tax law; have you ever made any examination of that law or heard it discussed to any extent? A. No, sir.

Q. Do you know it is a fact that the claim was made in the New York State Legislature last winter, that the final effect of that bill would be to exempt all personal property from taxation? A. No; I didn't know.

Q. The intent of that law, as I understand it, was to give the cities the power to assess as they chose, and the board of supervisors in the counties as they chose; make the basis whatever they chose, either on personal or real, or both; and the idea would be this, that in the city it would be natural that they should desire to exempt property with a view to drawing capital in the city; if it was a fact that the law would have this effect, what effect would it have on the outlying rural districts? A. I think it would be to diminish the value of it.

Q. Would you then be in favor, if it would have that effect, rural districts to the city? A. Yes, sir; no doubt.

Q. Would you then be in favor, if it would have that effect, of a local option law; the counties in which these large cities are located would naturally exempt personal property from taxation; if they did so, what would the capitalists in your county say to you if you were in the board of supervisors; what would they say as to that assessment; would they demand that you follow in the wake of the others and exempt personal property in your county? A. Yes, sir.

William Steele, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Do you reside in Oswego? A. Yes, sir.

Q. You are a lawyer? A. Yes, sir.

Q. And have always been connected with banking institutions? A. Yes, sir.

Q. And interested in the insurance business? A. Yes, sir.

Q. You represented your county in the Legislature in the years 1879, 1880 and 1881? A. Yes, sir.

Q. You acted during those years upon the committee of taxation in the Assembly? A. In 1881, on the special joint committee.

Q. In 1881, you were the chairman of the Assembly committee on taxation? A. Yes, sir; both years, 1880 and 1881.

Q. It was in those years that the laws known as the corporation tax law and the inheritance law were introduced and amended? A. Yes, sir.

Q. It was in 1881 that the advisory commission was appointed by Governor Cornell in connection with the subject of taxation? A. Yes, sir.

Q. And that commission acted in harmony with the committees of the Senate and Assembly? A. Yes, sir.

Q. You necessarily then became conversant with the subject of taxation and gave considerable attention to the examination of the question? A. Yes, sir.

Q. And you took part in the preparation and introduced several bills affecting taxation? A. Yes, sir.

Q. You introduced among others one to provide revenue for the State by a tax on savings banks and institutions for saving? A. Yes, sir.

Q. Seven hundred and sixty-four — printed bill 764 of 1881? A. Yes, sir.

Q. Will you explain to the committee what was the purpose and what would have been the working of that bill? A. These bills were found in the joint committee of the Assembly and Senate, and our idea of introducing bills into the Assembly, or before introducing bills, was to make the bills so that every one of the committee could support them when they came into the several houses; consequently we made them just as moderate as we thought possible to make them; of course some of them were amended and made stronger after they came into the house; but

the idea of this savings bank bill was to place a small tax upon property protected by the laws of the State, on the principle that all property was protected; not the individuals but the property was protected, and that the widow who had $300 in the savings bank, getting three and one-half per cent or four per cent, could afford to pay a small tax on her deposit just as well as the widow who had a small home could pay the full tax both State, county and municipal, that was our idea, and we deemed it nothing more than just, that all of this property should contribute a certain amount towards the government that was protecting it; another point is this; it was well known by correspondence with Massachusetts, Pennsylvania and Ohio, that the same thing was going on in other States as in our own, that about one-half at least of money in the savings banks was put in by parties who had no other place to put it, and I am satisfied that at least half the money in the savings banks in this State belong to people who only have it there until they can draw it out and place it in mortgages—people of independent means; for an estate I have over $2,000 invested in this city, that I have put in there during the last three or four months, because I had no other place to put it; I have had charge of the estate for nineteen years; it could not be divided until the youngest child came of age and he was only two years of age; I know a great many instances where a large amount of money is put into the savings banks that way and it was the intention to arrive at some way to make that contribute towards the support of the government.

Q. Explain to the committee what is the practice as to placing those deposits by people of means? A. The practice is, since they have been limited to $3,000, to put in $3,000 in each bank they can reach; for the father, $3,000; for the mother, $3,000; for the sisters, $3,000, and the brothers and their uncles and their cousins and their aunts, etc.; that is the practice throughout the State, they carry it into the different banks; parties in Syracuse, I have no doubts, may have money in those banks and also in Rome.

Q. You determined that fully one-half of the deposits in savings banks represented the means of people of independent wealth?

A. Yes, sir; people who were amply able to pay their proportion of tax.

Q. What did you propose to tax them? A. We proposed to tax them twenty-five cents on every $100 and make the bank pay it; that was drawn entirely to apply to large savings banks, over $500,000, although the sense of a majority of the committee was to make it apply to all savings banks; there is not so many that have $500,000, but of course with those enormous savings banks in New York, the Bowery and Dime; they thought they would make a tentative bill that would start in that way.

Q. The result would have been simply to take this tax out of the surplus accumulations? A. Yes, sir.

Q. What were the further provisions? A. The further provisions were to compel banks to give an account to the State, and also the further provision that if a party was assessed on money in bank, if they could say that was all they had, there should be no further tax upon the personal property; the assessors should take a certified receipt from the bank as evidence that they had paid, and that was what they paid upon their property towards the support of the State.

Q. One payment, under the provisions of this bill, was to release it from all others? A. Yes, sir; no double taxation.

Q. You also introduced a bill, printed No. 706, to provide for the equalization and to reduce taxation on real estate? A. Yes, sir.

Q. Explain to the committee the purpose and effect of that bill? A. The idea was that the assessor should tax everything that he could find, whether real or personal, in his jurisdiction, and then leave it to the party in possession to fight it out with the actual owner, or the parties who might have the claim against it, what proportion of the tax each one should pay; not make the State a detective, but make those parties determine the thing amongst themselves.

Q. How did you propose to bring about that result? A. It was simply for the assessor to assess everything he could find, both real and personal.

Q. And then to have the party in possession pay the tax? A. Yes, sir; and give him a certificate, showing the amount he had paid, and allow him to offset that against the indebtedness that might be upon the property, which made the party who held the indebtedness a virtual owner with himself.

Q. He could present that as a receipt to the owner of the security and claim a deduction to that amount? A. Yes, sir.

Q. Relieving the mortgagee from all contribution? A. Yes, sir.

Q. For the reason that the mortgagor had an allowance in the reduced amount? A. Yes, sir; we thought it was nothing more than just and proper that arrangement should be made, and it could be made; I had had instances where I know that I have been very glad to loan money at a lower rate of interest than be charged with any taxation.

By Mr. Guenther.

Q. Supposing a local pavement or a local improvement was to be put down to cost $400 or $500, would you make him pay the same proportion of that? A. No, sir; that would be municipal; that is an increase of the value of the property; I would have to stand that.

Q. Because owning the fee you get the benefit of the increased valuation? A. Yes, sir; it is a perfectly proper agreement to be made between the borrower and the lender; it has been my business for thirty years, has been loaning money, not only in the banking business, but also for other parties; of course I know the sentiment that people have, but as a man and as a citizen I felt that any bill that was presented here should be carried out under the principle of the golden rule — to do as you would be done by; I am part owner in the store in the eastern part of the county, and I believe the assessor should go into the store and assess me for every dollar it is worth; we are assessed now in the town of Sand Banks, and there is not another case in the county where they assessed in the store; but if we said to the

people of the village: Assess us full value for your village, but it is unjust to assess us when it is not done in other localities, because they are making us pay part of the State tax.

By Mr. Hamilton.

Q. What became of this bill? A. It was lost by a vote of sixty-one to some fifty.

Q. What became of the bill in regard to the deposits in savings banks? A. I don't remember.

Q. Did it fail to pass? A. Yes, sir; the New York press made a great kick on that, of course, because there was heavy savings banks down there, and had a great tenderness for the widow and orphan.

Q. What is your opinion as to the reception of the bills by people who are not well-off — depositors? A. I don't think they would object; the tax on that bill is only seventy-five cents on $300; we figured up with the average amount of deposit — it is larger now.

Q. We had in evidence already that the average deposits now are $550? A. I don't doubt that; the commission in the report they made to Governor Cornell very strongly favored that savings bank tax; I remember I read the report last night before I came down; I am sorry I did not bring it down; they thought that no one in this State who had $300 in the savings bank was so poor in purse or mind that they would not be willing to pay that.

Q. Was there any calculation made by you as to the amount of revenue that could be made from such a tax? A. I can not remember.

By Mr. Guenther.

Q. Don't you think it would be a still better proposition to tax the surplus in the savings banks? A. Taxing the surplus in the banks would not be consistent; I don't know of any principle by which we could tax the surplus in the savings banks.

Q. It is supposed to belong to the depositors and they never

get a cent of it? A. Then you would want to make it at least one dollar; you would want to make them sweat; I would add that to the bill; in addition to the other tax I would put a tax of one per cent on the surplus.

By Mr. Hamilton.

Q. There was also introduced an act to provide further revenues for the State, No. 387, which appears to have been a substitute for Assembly bill 690; will you explain the provisions of that bill? A. This was a pet of the commission; it was suggested by the commission and our committee drew up the bill; the idea was putting a tax or a license fee of twelve dollars and fifty cents annually on the business of selling at retail ardent spirits, malt liquors or any mixture of them, and on the business of selling of malt liquors only, five dollars per annum.

Q. A State license? A. Yes, sir.

Q. In addition to the local licenses? A. Yes, sir.

Q. What became of that bill? A. That bill did not receive very much favor; after it got into the house it seemed to be looked upon as a very good thing to talk about but not very practical thing to carry out.

Q. What did you provide for the collection of the five dollars and the twelve dollars and fifty cents, where was it to be paid? A. I think some one was designated to receive it, a commissioner of revenue; the commissioner was to pay it over to the comptroller.

Q. It created a new office? A. Yes, sir.

Q. You also introduced a bill printed bill No. 766, to provide for the taxation of life insurance companies? A. Yes, sir.

Q. Will you explain the provisions of that bill? A. I could not do it as concisely as I could write it.

Q. What became of that bill? A. That bill, if my memory serves me right, did not pass.

Q. You also introduced Assembly bill, printed No. 779, from the special committee on joint taxation and assessment to provide revenue for the State by a special tax on sales by brokers? A.

That was a bill very strongly recommended by the commission and and also by Assessor Briggs; I have a personal letter from him at the time at home, stating I had got on the right track.

Q. Is that what is known as the bucket shop bill? A. No, sir; it made a stamp tax on the sale of bonds and notes in New York city.

Q. Was it confined to New York city? A. No, sir; it showed the enormous amount this stamp tax would receive, making a note invalid unless it had a stamp on; going right back to 1863 and 1864 when we used to stamp contracts and mortgages, etc.; we used to buy $150 or $200 worth of stamps at a time; I have some of them still.

Q. What become of that bill? A. The session was not quite long enough for it.

Q. Explain the provisions of it? A. The provisions were to put a stamp, two cents for each $100 the same as we used to have on our receipts; I didn't like that bill very well, but at the same time it was parties that seemed to know more about it than I did, who claimed it would bring in large amounts of revenue and not injure any one in particular; but those that went through with it as I did and stamped all those things, would say let us pay for the whole thing at once; we don't like that class of business, we would rather pay a direct tax than be bothered; but they claimed this was the only way you could reach those; we had another bill; I have a copy of it at home, where the broker was to pay a license of twenty-five dollars and then he was to report all those sales; well, that would be so much worse than this; you would have had to provide a new department and take care of it.

Q. That bill was a substitute for Assembly bill No. 724 which was introduced by yourself? A. Yes, sir.

Q. You also offered from the joint committee on assessment and taxation, Assembly bill printed No. 261, an act to equalize taxation? A. Yes, sir.

Q. Explain to the committee the purpose and effect of that

bill? A. This was a bill presented, and my dairy says it was unanimously voted favorably by the committee, upon taxing the bonded indebtedness of municipalities and I think there never was a more just bill or one that would create less friction presented to the Assembly, or any legislative body, than this very bill, but the trouble was with a good many of those bills — April twentieth, you see the date of that; it came in about the time we were having quite a little contest that kept us very nearly the last of July, and those bills suffered terribly; there were parties that would fight against their own grandmother because they happened to be on the other side; it was the old Senatorial fight.

Q. That bill provided similar to another bill that you have called our attention to, that a tax might be paid by the municipality and then would be regarded as a valid setoff? A. Yes, sir; there is a loud call in this State for a bill of that kind; I don't think there is any subject of taxation that could stand it better than bonds that were issued twenty years ago, now drawing seven per cent interest and not paying a cent of tax.

Q. Could you tax a bond issued ten or twenty years ago? A. It was taxed then; we are only enforcing it; in reference to that question, of course I have had those objections; when those bonds were issued they were a subject of taxation; this bill was simply to collect the tax that they owed this State just as much as I owe a tax on my house and lot; it is a copy of an extract of the Albany Evening Journal; the old man was very much interested in those matters, and they used to give quite a little space in the Evening Journal to those bills and this was taken from the paper and sent broadcast through the State at that time; the plan of the bill was this; here was a town that was assessed for $700,000 and bonded for $80,000; that is the town of of Sandy Creek in Oswego county; of course, you people of the town taken up and they had nothing left them on which to levy this $80,000; now, that $80,000 they were paying seven per cent on when the legal rate was six; they could not get at it; they were

paying their own taxes and this was going scot free; the idea was to have the assessor add $80,000 to the assessed valuation of the town; then assess the whole $780,000; I could write it better because I figured this thing out at that time; there is nothing unconstitutional about it, because those bonds were taxable and should have paid their tax from the very inception of the business; they simply escaped; when we say we are passing a law to tax those bonds we are not, but providing a method to gather the tax already provided for; you understand the laws of Switzerland, when a man dies his property is all appraised; the appraisers then figure over the man's estate; they take his books and figure back and see how much he has defrauded the government for years back; they then assess him the amounts he should have paid from year to year and five per cent is the penalty, which is one of the most just arrangements ever originated; they make him pay what he should have paid; of course the parties are sworn every year; when the man dies, they seize upon it; they figure back how much he should have paid in 1880 or 1881, and charge to the estate and also charge five per cent as a penalty besides; now that makes everybody in Switzerland pay his tax, and it should be done in this country too.

Q. This bill is in line with the recommendation of the Comptroller for the taxation of corporations? A. Yes, sir; with one exception; in the operation of this bill in 1880 we were defeated because a great many of those corporations claimed that the bill did not reach them, so that in 1881 they amended it so that it would reach them; and we added a saving clause whereby we could get the tax of 1880.

Q. What are your views upon the question of the listing system? A. It has too much friction about it.

Q. In what respect? A. I think there is nothing that would raise the ire of a free born American citizen, or even an acclimated one, more than the listing system; in Ohio where they have the listing system some claim it is a benefit, and others claim it is a

great injury; there is too much espionage; too much coming down to the secrets of a man's business, that he will avoid even if he has to swear to a lie — too inquisitorial.

By the Chairman.

Q. A man may be willing to tell you as to his condition in an oral conversation, but he don't want to make a record of what he says? A. I saw so much of that in the income tax, and in the internal revenue; there was so much pressure in this State and everywhere in the Union.

Q. Such a law would not have the sympathy of the people? A. No, sir.

By Mr. Hamilton.

Q. What are your views upon the present law, allowing a deduction for indebtedness as an offset? A. It is very unjust because it don't apply to real estate; you have just as much right to take indebtedness off my real estate as you have on personal property.

Q. Were you asked in regard to your views on the question of the present rate of interest? A. I was not.

Q. From your experience as a banker and otherwise, will you give your views on that question? A. My idea may not be a very popular one, but it would be not to interfere for the present with the rate of interest; when the interest was reduced from seven to six per cent my ideas were all borne out by the results afterwards, and I don't know why the same results should not follow; when you reduced the interest in 1879 from seven to six per cent I opposed it for quite a while and quite a number of us opposed it, and having been in the banking business and loaning money at that time, of course I had quite a number of people that believed the same as I did; my views were these, that it would not be any especial benefit to the people who had property that was not gilt edged; whether certain lines of borrowers who need money it is difficult to get money,

without paying what is called a shave on it; and also a large amount of money would be taken out of mortgages and put into speculation, buying stocks or sending it into western farms, Kansas and Nebraska mortgages; we finally compromised by putting it off until the first of January following; the original bill was to take effect immediately; Sherrott, who had charge of the bill in the Assembly, on consultation with the gentleman who had charge of it in the Senate, finally agreed to put it off until next January, and the bill was passed, and I found my views to a large extent were correct; about that time they commenced sending money west; for several years afterwards stocks went up throughout the country; people were investing money in stock; any stock that offered to pay seven per cent or eight per cent was sought by those people who felt they had been injured; I also found that those people who needed money badly could not get money without paying a large shave, and you yourself have seen the result; it was about that time that so much money went into those western mortgages, and even at the present rate of interest in Oswego, we had an experience that cost the city of Oswego $75,000 to $100,000, in the Winner Investment Company; some widows, I understand, had as high as $4,000 or $5,000 in bonds; the loaning of money is a subject that is very apt to control itself; if money is plenty, a party with good security can get money at almost any price; A No. 1 security to-day you can get money at five and even at four; I know a block in Oswego that was sold two years ago and a mortgage put on it at five per cent with the privilege of paying up sooner; last year it was put into four per cent, but it is gilt edged; it is as certain almost as if it was pure gold; I find throughout the country plenty of people who want to borrow money, but the rate of interest at six per cent even now, and the fear of usury keeps a good many of those people from getting money; if the interest was reduced to five per cent after a while the good securities would get it for four per cent, but there would be the same disposition with people who have money to loan,

whether it is the rich man or the poor widow; in fact the poor widow is anxious to get the largest rate and take the most chances, and those are the people who are being swindled throughout the country, and will be as long as the world stands, because they don't learn anything by their past experience; as Napoleon said about the Bourbons: "They forget nothing and learn nothing;" directly it is a matter of no interest to me whatever; if it will help the people throughout the country, help parties who are anxious to get money to go into business and help them to carry on their farms, or pay up their mortgages on their place; it seems to me that one-half of one per cent a month is as low as people can afford to do it; there are a large number of people in this country who have nothing but their interest to live on, and just as fast as the interest is cut down just so fast their means of support are cut down; I don't know but you gentlemen may have heard a great call for lowering the rate of interest, but I am loaning money all the time; I don't do anything else for estates, and I have not found any call for a lower rate of interest.

Q. What are your views upon what is now the inheritance tax in regard to the question of increasing it by imposing a graded tax? A. My views are, I should let it alone until the thing has been thoroughly tried; I think there are other means of obtaining money to carry on the government that have not been properly worked, so as to let them get thoroughly settled and let the system get more thoroughly digested.

Q. You are not opposed in principle to the imposition of such a tax, but deem it not appropriate at the present time? A. That is my idea; we are starting on something entirely new throughout the country; in some cases it may perhaps make hardships; we ought to have had this in years gone by; we are simply getting what we should have had before; that is the point I have in both collateral and direct inheritance tax; the State is deriving some contribution for support given to those estates

in times gone by which should have paid year after year, the same as real estate and tangible property has to.

Q. Estates that amount to less than $10,000 in personal property we are not receiving any benefit from? A. That is only $500 a year; that limit is low enough it seems to me; if that $10,000 was left to children, or if it is left to a widow, if she pays her taxes on that after it comes into her hands, as she should do, and the law should be made to make her do, that is all she ought to do; I believe, as far as possible, in making this assessment, but make each one pay a little, but not to distress any one; I look upon all money the same as I do upon property, for what it would bring in for trade and barter; there is nothing else to go on; if there was a war I would be willing to pay a couple of dollars more on my watch, as I did in 1863 or 1864, but it is not necessary.

Q. Would it be in line with your views to make all pay the same proportion — tax real as well as personal property under the inheritance law? A. Yes, sir; make every class of property pay something; it seems to me that would be open to this objection — that the real property has been paying, very likely, because it is the only property you can get at; if I was going to introduce a bill I don't think I would favor a tax upon real estate, because we know that is paying if anything is paying; we know there are any quantity of classes of property that are paying nothing, and have been for a great many years; it would seem to me more in the province of legislators to arrive at some means of compelling a just contribution from those branches of industries and properties that have not been paying.

Q. You were one of the originators of the collateral inheritance tax laws? A. Yes, sir.

Q. Wasn't that law passed upon a broader principle than the mere attempt to collect from personal property on account of its previous evasions? A. The principle, of course, was the principle of equity, but that was one of the points brought and very strongly argued, that it had escaped for years, and that was the only way to get at it.

Q. Wasn't it the principle, since sustained by the court, that the right of succession was created by the law; there was no natural right; the right to devise and give by will was also a creation of the law, and that therefore the law had a right to take a percentage for the support of government? A. I think if that idea had been advanced I should remember it; no such idea was ever advanced in our committee, because if I was not there there was no committee; we had to amend the corporation law by putting in the words "upon their corporate franchise and business;" it was simply splitting hairs.

Q. Assuming it is that broad principle which controls, would there be anything unfair in asking in the distribution of the estate — of the assets largely invested in real estate — some contribution as well as from the estate of Mr. Gould, which is largely in personal property? A. As I understand the estate of the Astors, it is nearly all real estate; holding property, and then leasing the property and having buildings put upon it; that is what I understood in 1858 and 1859, when I lived in New York; I suppose that is all taxed, and taxed as thoroughly as other classes of property that was there to be taxed; not that property has paid its taxes from the time it came into the hands of the Astors, he has paid this tax the same as the other property, but when you go to personal property you are striking a class that never has paid a tax; bring out the Swiss idea, and commence and pay now.

Q. I asked you to assume that the inheritance tax was based upon the principle I had stated, which has been sustained by the courts, would it not be fair then that real estate shall contribute the same share proportionately with the estate of any person who had invested in personal property? A. Yes, sir; to follow out that theory, but I don't believe in the theory; I don't think the theory is correct.

Q. Could the other theory be sustained in law as a theory? A. Yes, sir; I think so.

Q. The theory that you are getting even? A. It is not getting even; it is only taxing now what we should have taxed long ago.

Q. Is it not a theory that you did tax years ago, but did not collect it? A. Nothing is taxed unless it is assessed; it was subject to taxation.

Q. And it evaded it? A. Yes, sir.

Q. And for that reason you propose now to get even? A. I think it is perfectly just too; I think it is Republican-Democratic principles; there is no doubt about it at all; the Swiss government has followed that for years, and that thing would certainly have been decided there if it had been unconstitutional.

Q. They are not acting under the same constitution that we are? A. No, sir; but on the same principle all the way through; there is little difference in the way of officering their government.

Q. Was not that ground you gave rather used as an argument to induce support rather than to sustain the reason why the tax was imposed? A. We had the worst quibbler of all the lawyers I ever saw; I might say worse in one sense and best in another; that was George H. Foster, and even his fertile brain didn't bring that up; his idea was that property should be taxed by the State, and that the State had a right to tax that; they taxed it one year anyway whether they ever get it again or not.

Q. If you learned that was the theory upon which it had been sustained by the various courts, and the theory upon which it was advocated in other countries, would that change your views? A. Certainly it would change my views in a legal way as a lawyer, but it would not change my individual views.

Q. Wouldn't it give you an idea that it would be equitable to lay a tax upon both classes of property? A. Yes, sir; followed out in that view.

Q. Have you any other views to suggest to the committee in regard to the subject of taxation to which your attention has not been called? A. No; I don't think that I have; I think the questions on those bills and upon the general subject of taxation, is, as far as I can think of at present.

Q. Would you favor the plan, raising all the money for State purposes by a specific tax and relieving the counties? A. Yes, sir; by all means.

Albany, N. Y., January 24, 1896.

The committee met in the Senate Chamber, Albany, pursuant to call.

Nathaniel G. Spalding, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton:

Q. What is your full name? A. Nathaniel G. Spalding.

Q. Where do you live? A. Schodack Landing, Rensselaer county.

Q. What is your business? A. Farmer.

Q. How long have you been engaged as a farmer? A. Some twenty years and over.

Q. Are you also a member of the Farmers' League? A. Yes, sir.

Q. An officer of that body? A. Yes, sir.

Q. What office do you hold? A. Lecturer.

Q. How long have you been so engaged? A. About three years.

Q. Have you also held public office? A. Nothing very much; no, sir.

Q. One that has called you in connection with the levy and collection of taxes? A. Nothing more than a matter of my own town; my own town matters.

Q. In your town matters you have given attention to that subject? A. Yes, sir.

Q. Have you also given attention to the subject of taxation? A. Yes, sir.

Q. In connection with your relations to the State League? A. Yes, sir.

Q. What have you to say as to the propriety of modifying the present laws relating to taxation, assessment and interest, so far as they affect the agricultural, manufacturing and other business interests of the State? A. I think they should be very much modified.

Q. Will you give the committee what information you possess in regard to that subject, and specify wherein you believe a modification is warranted? A. I will state that as farmers we take the ground that equal taxation is just taxation; and as far as we can reach that we think we have reached a point of justice; we feel this as farmers that our present system of taxation works very injuriously to the farmers especially; in the first place, you take our mortgaged real estate; we are paying a double tax, and I think it is fair to say that nearly one-half of the real estate of the State of New York is mortgaged; there is hardly a poor man's house but what is mortgaged, and he is paying a double tax.

Q. Do you believe that that is the rule also in the case of farms? A. Yes, sir; particularly so with farms.

Q. Fully one-half? A. Yes, sir; of course I can not give you exact, but as far as I can ascertain I think that half of the farms of the State of New York are mortgaged; now you see the point; the assessor comes to a farmer, and he says: "How much is your farm worth?" "Well, it is worth $10,000;" "Well, then, I will tax you 10,000;" but the farmer says: "I have got a mortgage of $5,000, and I have got also a debt that I have in making improvements of $1,000 more; I actually owe 6,000 on my farm;" "I can not help that," the assessor says; "you must be taxed for the whole face of it;" he goes to a merchant, and he says: "How much goods have you got in your store?" "I have got $5,000;" "Well I will tax you $,000;" "No," the merchant says, "I owe $2,500 on this stock of goods;" "Well, I will take it out," and the merchant is taxed $2,500, and we poor farmers pay the whole tax on the $10,000 while we only own four; those are living facts; now, the point is here; of course the farmer lives on a very narrow margin; he makes but very little profit; probably the average farmer does not make three per cent on his farm; he is close always, and $100 is a good deal to him; fifty dollars is a great deal to him, or thirty dollars is a good deal to the farmer; it is just the margin between profit and loss with the farmer; he is so

near that it is just between solvency and insolvency, that thirty or fifty dollars is to that farmer; what is the point? That thirty dollars don't amount to a great deal, we will say; yet what is the fact? It depreciates the value of that farm just so much; I will give you an illustration; my farm forty years was taxed fifteen dollars.

By the Chairman:

Q. An acre? A. No, sir; the whole farm; nobody paid any taxes forty-five years ago.

Q. How many acres? A. Now 250.

Q. How many did you have at that time? A. The same amount; now I pay $140, and that farm wouldn't sell to-day under foreclosure than it would forty years ago.

Q. You mean the total tax forty-five years ago was fifteen dollars? A. Yes, sir; that is including my school tax; it is now $140; I can pay $140 we will say, although it comes pretty hard; you gentlemen say to me what is $140; it is $125 more than it was forty years ago; what does that represent; it represents a capital at five per cent of $2,500, and my farm with that $140 drawn off back to fifteen dollars would be worth $2,500 more than it is to-day, and so would yours or any other man's; there is the point; it is the depreciation of our real estate that we are looking after; now, suppose a merchant, a banker or a manufacturer, I don't care who, if he has got personal property, suppose he paid his share with me, what would be the result; I contend we would go right back down to fifteen dollars; I think I can demonstrate to you to-day that while we are paying two per cent, if the tax was equalized and placed on all classes of property our tax would be five mills; can't the banks stand that; can not the savings banks pay five mills on an average; we don't ask those men to pay two per cent; I don't ask them to do it, but we say the tax should come down fairly and squarely on all the personal property of the State of New York, and it would be only five mills; anybody can stand that; now what other facts — what are the facts; the facts are those as near as I can learn; our State Assessors tell

us that there are 4,000,000,000 of personal property untaxed; our real estate is taxed, I believe, about 3,500,000,000; now we contend, and we think we can demonstrate the fact that the actual wealth — the taxable property of the State of New York, if you take everything is 12,000,000,000; we don't know anything about this wealth, Mr. Chairman — there is over 1,000,000,000 of diamonds and gold and jewels in the safe deposits of New York city that never see the eye of an assessor; we poor fellows back in the country pay for everything that is in sight; you see the difference?

Q. Are you sure that is so — that last statement? A. I think I am; I have been told so.

Q. Go ahead. A. The assessors never go there to the safe deposits; now just look at it, we are paying a tax on our farm lands — an excessive tax; take the property of New York city, and that city is an exception to all rules; it is growing beyond all accounts; no matter what you do; no matter how corrupt your laws are, real estate booms there if it does not anywhere else; it does not here in the city of Albany with its wonderful capitol; real estate sells to-day here and has for the last three years for less than its assessed value; you can not sell property on the market; why; it is overtaxed and personal property is free; you go to a man and ask him if he wants a farm or a lot and he says no.

Q. What is the taxation in the city of Albany? A. I think it is about 1.80 or 1.81; if we tax personal property in New York city and in Albany and in all our cities 5,000,000 it would bring it down to a basis equal to all; we contend that this lot of money hid around — our millionaires live simply nomadic lives; with their millions in their saddle-bags they start and go from one State to another whenever there is any sign of taxation; do we want any such class of men; our success as a nation depends upon a system of legislation that makes it for the interest of every man to have a home — to build up a fireside; that is what makes a great country; how are we to-day; the millions are in the saddle-bags going around over the country to avoid taxation; the millionaire, as a rule, is a consumer and not a producer.

Q. To get back to the question; what remedy do you suggest for that alleged evil? A. I am reaching a point of great interest; I am in favor of a listing bill; I will tell you why; I believe that there is and that there has been patriotism enough in the State of New York when a law is once passed to carry out the system of listing; I would exempt say $2,000, so that a lawyer would be exempted on his books, a doctor on his library, a poor man on his tools and a farmer for his tools; all above that a man is able to pay on; then tax it about five mills, which would be probably enough; I believe a system of listing would reach it honestly and squarely; we are told if you start a listing system a man will commit perjury; I don't believe it; I don't believe there is a man in this room that would commit perjury; that is simply a cry raised by the objectors; I remember some years ago of seeing a cartoon that illustrates this forcibly to me; it was Mr. Tweed in his prime represented as a great giant; a little policeman as a pigmy stood by his side and held his baton up and it only reached to Mr. Tweed's waist; and under it was this emphatic sentence. "Can the law reach him;" the law did reach him, and the law will reach every single millionaire in the State of New York if you will always put a just, square, honest, equal tax based on a system of justice to all.

Q. What do you think would be the result if the present law is faithfully executed? A. I think if the present law was faithfully executed with the amendment proposed by Mr. Deyo, it would cease; I think this, if our town assessors were made amenable to some higher court, for instance, to the State assessor; I have noticed how beautifully this has worked in our board of health; you take a town board of health; a cry is made to remove a nuisance, and they pay no attention to it; that man goes to the State Board of Health, and they send down and say: "Look here, if you don't move that we will call you up;" now, the town assessor is in a very unfortunate condition; everybody is on to him if he does the square thing; we all know that; well, if he could go to those gentlemen whom he is assessing and say: "I have got to do the square thing; if I don't the State board is after me,

and they will impeach me;" he can get out of the difficulty to a certain extent I think, and in that way, I think, we might reach more personal property than we do.

Q. Do you think, under the law, as it exists to-day that a town assessor can not be reached for non-performance of his official duty? A. I don't know but he can be, but our whole system of taxation is demoralized; we have got to start anew; there is no tone in it; we have got to start anew; every man seems to feel around in the country and everywhere else that it is an honest thing to escape taxation; he will chuckle over it and have a good time; I think we ought to go back and adopt an honest, square system of listing.

Q. Don't you know that every assessor in the State of New York to-day, whether a city assessor or town assessor, is required to swear when he has completed the assessment-roll that all the property, real and personal, is therein contained and assessed for its full and true value? A. Yes, sir; and for that very reason I would not be an assessor; you could not get the office on to me; I would not take that oath; they would run a man out of town if he took it and carried it out square; we are so demoralized; we can not tone this up without starting de novo — starting anew, in my judgment; I will express my ideas in regard to certain plans that have been suggested; take, for instance, our State tax; suppose you make corporations pay the State tax, that would be a great relief; there is somewhere in the neighborhood of 12,000,000; you throw that on to corporations, and by so doing they pay more than they do now; in that way you relieve 12,000,000, but we have about 65,000,000; now, take 12,000,000 out; we have heard a great deal about this collateral inheritance law as being a wonderful relief to the farmers; how much do we get? Not quite 2,000,000; but, suppose we get 2,000,000 collateral inheritance; say that the corporations pay the 12,000,000 State tax; we will put 2,000,000 on to the inheritance; now, we have got 14,000,000; well, in that 12,000,000 I include what we raise now by the organization of corporations, and so forth; that all comes under that; we will say 12,000,000

is thrown on to the corporations; they are relieved from all other taxation; we have got 12,000,000 and we have got 2,000,000 out of our inheritance we will say; now, add to that as some have suggested an income tax, to the amount of 2,000,000 more we will say, and by and by that income tax is precisely the listing bill; what else is it? Assume that you pass that, you have got 16,000,000, and you raise 65,000,000; that leaves you 49,000,000 to raise and how are you going to raise it? We are relieved a little, but fairly and squarely; we want a listing bill that will cover the whole field; that has been my idea in regard to our system; but I feel as a rule that the farmer is in the ditch; there is not a farmer, I don't care how successful he is, that is much more than paying his way, and he makes a hard living at that; now, if we can relieve him from this excessive tax; if we can throw it on to the personal property what will be the result? A man that has got taxed personal property will say: "Here, if I have got to pay taxes I will go to work with the personal property; I will buy a farm; I will start a manufactory; I will build houses; I will go to work with the money, and this vast amount will go to work, and my farm and every man's house will be worth more than it is to-day, and we have restored the normal relations between the different classes of industry which to-day I affirm is abnormal; there is an abnormal condition to-day between real estate and personal property; make the tax equal and everybody has got to go to work and the result is our holder of vast wealth of the State of New York — it is like a bee-hive — and every man has to work, and every man's farm is worth something and every man's little house will sell for something more than the mortgage on it, and a general and healthy boom will be the result all over the country of just legislation.

Q. Is it not a fact that the bulk of taxation of the farmer is local in its nature? A. Well, he pays his share now of the State tax.

Q. But if you consider the proportion of the amount that he pays that goes into the the treasury towards the support of the State government — have you considered the proportion of the tax paid

by the farmer which goes toward the support of the general State government? A. I know that it is small, but it is in proportion to the amount that he pays for anything else.

Q. I am not saying that he does not pay his fair proportion? A. I am aware that the farmer does not pay all this 65,000,000; I am fully aware of that; he pays only a small share of it; but that don't affect the robbery.

Q. My question is not intended to belittle the farmer as a taxpayer, but with a view of ascertaining from you whether or not the burden of taxation, such as it is, is largely of local character? A. Yes, sir; I think it is largely; but here is the point; I live in a town where we have two railroads, the Boston and the Hudson river; they are taxed very heavily; now you throw this tax on to the corporations to pay the State 12,000,000, and you take them right out from our town; they pay this and they won't pay any more in proportion than they do to-day; there is our point in regard to the listing bill; you say our tax is local; so it is; but we demand that every railroad shall pay a local tax too.

By Mr. Guenther.

Q. Does it not on its real estate? A. A trifle; what is the real estate compared to the value of the road; a mere bagatele.

By the Chairman.

Q. Do you know how much a mile either of those two railroads is taxed in your town? A. I don't know exactly.

Q. My experience has been that the railroads are taxed very heavily on the real estate? A. I concede all that; but what becomes of the stock and bonds; the real estate part of a railroad is a very small thing.

Q. The stock and bonds represent the capital invested in the road? A. We claim that they should be taxed; and all we get now for the local tax is the tax upon this real estate, which is really a small part of the value, but it helps us.

Q. You complained a moment ago about what you understood to be double taxation; are you sure that what you suggest now

would not be double taxation, remembering that the capital is invested in the real estate and the company's rolling stock? A. Yes, sir.

Q. You are in favor of assessing all of the real estate and all of the stock and bonds; wouldn't that be double taxation? A. I think it would not; in this way; we figure that a mile of railroad is worth about $30,000 or thereabouts; I think that is about fair; we figure that a railroad is worth about $30,000 a mile for its real estate; its rolling stock might be included in that but I don't think it is; I think that is what they figure the real estate of the railroad; now you know that is nothing compared to the stock that represents.

Q. Does not this stock already contribute its proportionate share in meeting the State expense? A. I think not.

Q. None whatever? A. Corporations pay a little here in this corporation tax; about $1,600,000, I think; we raise in that way and the railroad gets in there; I don't think any of those corporations pay half a mill.

Q. Do you complain that they are not taxed sufficiently high on their real estate? A. I think that $30,000 on the real estate is perhaps a fair assessed value of the real estate, only that does not represent the real value of the road; you see outside of that no stock.

Q. How do you think the Legislature could provide for the fixing of the true rate on real estate of railroads by an assessor? A. The same as you could on a farm.

Q. Does not the same rule apply now? A. It does to a certain extent.

Q. Is not the present law, so far as the real estate of a railroad is concerned, ample? A. I think that the assessed value of $30,000 is a fair statement for that part of the road.

Q. The law does not fix that; I am talking about the statute; is not the statute broad enough now to insure by its faithful execution the full value of railroad real estate? A. As I said before, we don't reach it.

Q. If it is not assessed properly is it not the fault of the local assessor? A. Yes, sir; you understand this road is a very strong corporation, and there is a very strong pressure brought to bear on the assessor, and the whole system of taxation is demoralized; it is demoralized as much on a railroad as anywhere else.

Q. If they influence every assessor of the State why is it not a fair presumption that they influence everbody here, and how are you going to get relief? A. It is strange that a man can not get help because every body does wrong; I think that if that $30,000 was fixed as it is and that the bonds and the stocks outside of that were taxed proportionately and fairly, it would be about the fair thing, but that is not taxed.

Q. What is the railroad tax per mile in the town in which you live? A. It is estimated $30,000 a mile; I have not got the figures.

Q. You do not know what the assessment is? A. No, sir.

Q. Can you suggest any legislation whereby you can compel an assessor to assess the real estate of a railroad higher than what it is now? A. I know of no other except by making him amenable to the State assessor as a higher court.

Q. Wouldn't the large corporations be as apt to reach the State assessor as they would the local assessor? A. Well, there is the point; I don't think they are as demoralized as we fellows in the towns.

Q. Bearing in mind the fact that the State assessor does not have to go before the people, and the local assessor is amenable to the taxpayers of the town in which he lives, now is not he more apt to do what the people desire than a man who gets his power by appointment? A. I think not; I think I illustrated that by the State Board of Health; they are a body away up here above the rest, and they can say to a little town board, do your duty; so this great State Board of Assessors can say to those little fellows around in the towns, do your duty, or we will take your head off; and in that way we may succeed to a certain extent; I don't look, however, for anything but a slight improvement in the system unless we adopt an honest, square system of listing.

Q. Copied after the Ohio statutes? A. Something like that; Vermont has this bill; I met a gentleman from there the other day, and he told me it was astonishing what a change the system of listing has shown; in Ohio there may be more difficulties into the bill; I don't think it is necessary to follow the Ohio or Massachusetts bill exactly, but have a bill of our own; they are all around; there are some fourteen States that have already adopted a listing bill, and I think a time will come when every State in the Union will have it, and then I would like to know where the millionaires will go with their saddle bags.

Q. You are not going to get any benefit from this system of local taxation; if taxation is a burden to the farmer at all, the great bulk of it is on account of expenses of local government? A. Yes, sir; but we hold this, that a listing bill will create a general tax which will cover the taxes of every county to a great extent.

Q. Take Rensselaer county, within which you reside; any benefit derived by reason of the operation of this system in another county won't do you any good as far as local taxation is concerned? A. Take our merchants, and all that class of interests located in our towns; they will bear a higher rate and in that way we will be relieved, and that comes by listing.

Q. Won't the farmer be assessed upon his horses and his cows and oxen and upon his farming implements? A. If you gentlemen don't make any limit; I suggest $2,000 exemption, which covers the poor man, no matter who he is.

Q. You are in favor of taxing deposits in savings banks? A. Yes, sir; I think a man that has money in a savings bank who has an exemption outside of that the same as everybody else he could with the same propriety pay it as if he had a little home.

Q. Would not that reach the poorer classes? A. Wouldn't it cause that man to run out and buy a little lot and build a little home? That is what we want; I think there is a great deal of money to-day in our savings banks simply because it is not taxed; I think if it were taxed it would get out of there.

Q. What would you make the limit in the savings bank? A. I think, perhaps $500, something like that; I think any man that

has got money about that can afford to pay a tax; the great trouble with our listing bill heretofore has been we have brought it in and it has been crude; some men wanted to load it up with taxes on churches; other men wanted to tax everything, horses, dogs and cats, simply to make it ridiculous, and the bill every year is hurt in that way; give us an exemption fairly and squarely covering the necessities of life, and a man to-day who has $100,000 hid in New York in diamonds, let him pay it.

Q. Don't you think it would be well to fix a limit on the exemption of churches? A. Yes, sir; I don't believe in taxing churches; my idea would be to make out a bill that is not objectionable any more than it is possible; reach the class of property that is in the hands of men who are able to pay, and not come right down in a picayune way and make the bill ridiculous; give us an honest, square bill, statesman-like, and I believe it would pass and be honored in the State, and put our State in a condition of prosperity unparalleled, by giving every man opportunities which to-day are only in the hands of the few.

By Mr. Hamilton.

Q. What are your views in regard to the present rate of interest? I have thought of that a good deal and I have not pressed in my own mind the idea of charging the rate; I think that six per cent is a rate which anybody that has poor security perhaps could afford to pay, and anybody to-day that has gilt-edged security can get it for four or five; I have never been much of an enthusiast for lessening the rate.

Q. Do you believe that your sentiments are the prevailing sentiments among the farming community? A. I think they are; I think I voice the sentiments of 100,000 farmers in the State to-day.

Q. What are your views in relation to the collateral inheritance tax? A. I think it is a good one, but I don't want it to take the place of the listing bill; I think Mr. Campbell's idea is a good one, a grading system; I am very much in favor of it; I am in favor of a bill like that and also an income tax bill; I am in favor of that;

men with great fortunes can afford to pay something; at the same time we want to strike taxation honestly and squarely; we have got to tax every class of property honestly and squarely.

By the Chairman.

Q. You say that people who have great fortunes ought to pay an income tax; where will you draw a line, because if you are going to confine it to people with great fortunes you would not get so much? A. I would grade it; a man with $10,000 income or 5,000, I would not object, tax him; and if a man gets a million a year let it be graded to meet it; I would not object to that; my idea is this, gentlemen, let our corporations pay our State tax and our income tax and our collateral inheritance tax, and our little tax that we throw on corporations — don't let that be considered sufficient to relieve the great taxation question with the farmer of the State; go farther than that; that is my idea.

Q. Does you information also call for the abolition of what is now known as an allowance for indebtedness as against assessments on personal estate? A. I am in favor of abolishing that distinction; that would be a great point; yet you observe there is an objection to it; unless you establish a listing bill you simply array the mortgagee against the mortgagor and he says to the mortgagor, "Here, if I have got to pay this tax, you agree to pay it, and then you can have the money;" but if we have a listing bill you remove the mortgagor from being under the tyranny of the mortgagee, and you don't any other way; now, I want to say one more word, and that is this; a year ago the Democratic party passed in its platform this resolution: "We believe in equal and just taxation; we believe that corporate stocks and bonds should bear their share of the public burden;" that is about the idea; now the farmers of the State of New York took that; they believed it; they believed the great Democratic party was sincere, and we rolled up what; an unprecedented majority for our Governor; it was the farmers of the State of New York that gave Mr. Flower that, on the belief that they were going to have an honest tax law, and last year we came forward; the Legisla-

ture did not give us this bill, but what did they do; they appointed this honorable commission, and we have looked to this commission with a great deal of interest.

By Mr. Ahearn.

Q. That was Governor Flower's suggestion? A. Yes, sir; we have looked to you with a great deal of interest; the farmers of this State have all looked to this commission and expected a broad, honest, statesman-like tax bill.

By the Chairman.

Q. What do you think of the idea of relieving real estate absolutely from taxation for the purposes of the general State government, and thereby doing away with this much mooted question of equalization between the counties? A. As I said, any change that will relieve the farmer from excessive tax is a relief; it is a relief to a certain extent; the question is, how much will it be?

Q. Don't you think that much of the trouble and disquiet that has arisen is on account of this so-called equalization, which the farmers allege is not equalization at all? A. I think there has been a great deal of disquiet in regard to that; if we should pass a listing bill assessing everything at its supposed real value why wouldn't that obviate all that anxiety and dickering?

Q. Suppose that the Legislature should pass a law which would relieve real estate of taxation for general State purposes, and should also pass a law leaving it to the local authorities to tax property in their own way? A. We are absolutely opposed to that.

Q. You do not think that the people of Rensselaer county could be trusted to levy taxes for the purposes of their own government? A. That is the local option bill; that is simply the entering wedge of this cursed single tax idea; it is the entering wedge to it, and when you get our local officers in our different towns and counties with the privilege of manipulating that thing it will more or less be developed; I am very happy to say

that in Maryland I have noticed last week that the towns that have it there have objected to it.

Q. I don't think any man has an idea of passing such a law as would leave the question of single tax open, but providing for the taxation of real estate and personal property as in the election of local authorities they deem best; for instance, one county might be in favor of taxing all personal property within reach; another county might not be in favor of assessing personal property at all; don't you think that the people might be intrusted to use their own judgment in that regard for local purposes? A. That is a question that I have thought a good deal about; on the local option bill that was brought up last winter I have not changed my opinion as to the undesirability of its practical results; I think that our great tax question should be broad; the State should have its voice in it; it should be uniform and wide-spread and no dickering, and the moment you divide it up that way it becomes a system of rings and all sorts of chicanery, and the poor every time will suffer.

Q. You think that the men congregated here in the capitol can be trusted better on the question of taxation than the local legislative bodies of the counties? A. Yes, sir; I do.

Q. It has been recommended or rather suggested by, at least, one of the State assessors, and by a number of business men who have appeared before the committee that the taxation of personal property has a tendency to drive capital away from the State, what is your opinion as regards that? A. I am glad you brought that up; I have made that a study, a little in connection with this other; that is a vital point; I think that is not well taken; I don't think that the practical result will be so; for instance, as I said, we have fourteen States that have already passed this listing bill; the time is coming when every State of the union, unless the great State of New York, and we would if it was not for our vast capital, will have a listing bill; if every other State has it where are those fellows going to take their money? If they go into Vermont there is a listing bill; into Ohio there is a listing bill; Massachusetts, there is a listing bill, and before long there will be

in New Jersey; if they do go are they injured by it? A. I would rather have a good, faithful, honest mechanic with a little home paying an honest tax than a millionaire with his money in his saddlebags running over the country to escape taxation.

Lorenzo D. Collins, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You are a resident of the town of Watervliet? A. Yes, sir.

Q. You have represented Albany county in the State Senate? A. Yes, sir.

Q. You have given attention to the question of taxation? A. Yes, sir; I have.

Q. You are a member of the league? A. I am president of the State Farmers' League.

Q. Also a member of the Alliance? A. I am not.

Q. How long have you been connected with the league? A. Three years.

Q. During that time how long have you acted as president? A. This is my second term.

Q. What is your ocupation? A. I am a farmer.

Q. How long have you engaged in that? A. Since 1860.

Q. In the county of Albany? A. Yes, sir.

Q. What have you to say as to the propriety of modifying the present laws relating to taxation, assessment and interest so far as they affect the agricultural or other interests of the State? A. It is very evident that the farmers suffer from over-taxation; it has been growing while personal property has been escaping taxation; I don't deny but what it is a very knotty question to get at it fairly and honestly; there has been, I think, about sixty years since there has been any modification of the tax laws; as Mr. Spalding said, farm taxes have increased five or six times since the war; they have learned how to dodge the taxation on personal property; they are paying 70,000,000 less on personal property than twenty years ago; and we all know the increase is enormous; we come here not as cranks, but men that want

simple justice; I have a very high opinion of the State Legislature of New York; the farmers have not looked after their rights as other classes do; I have been in both houses; a man comes and wants a bill passed he urges you; you say, what is your tax? You meet about it as you gentlemen here, and nobody comes to oppose it; I would very much rather address you than a local board at home; in my opinion the Legislature intends to do right; it is simply the farmers who have neglected their own interest; the tax is almost unbearable; my tax on my farm — I was figuring it to-day — is $247, the school, State, town and county tax and road tax; now, I know with equal taxation it should not be to exceed seventy-five dollars; well, I am all the time supposing that we raise that $200 and give it to the millionaire; we pay the taxes, and the thing has been going from bad to worse and we have got to have help; it has depreciated our property, and as Mr. Spalding says, the farming interest of this State has got into the bottom of the ditch; I presume there are gentlemen here whose parentage are farmers, some of them; I don't know but you all were, because the farming class, the young men, go to the cities now; there is nothing for them to do to-day in the country but toiling to make a living; for instance, here is a farmer who has got two sons; he gives one $10,000 and buys the other a farm for $10,000; the one that has got the $10,000 goes into business and don't pay a mill; is that justice? If you give us justice I will assure you that the agricultural interests in this State will come up; it will come up; it is being depreciated lower and lower; you go to a man and talk about buying a farm, the first question is, what are your taxes? How came our taxes to jump up from fifteen dollars to $147? The land is certainly worth no more; it isn't worth as much; it is this old way of taxing what is in sight.

Q. Right in that connection, don't you think that the development of the State itself has had something to do with increasing the cost of government? A. I do.

Q. For instance, around your locality, there has been a large development? A. Yes, sir.

Q. Of course, you can not have development without increased cost? A. Certainly.

Q. What is true as to your locality, is it not true as to the bulk of the State? A. Undoubtedly, it is, but not to any such extent as we are taxed.

Q. Don't you think that another thing that has much to do with the present depressed condition of the farmer is the opening up of the great west and the means of transit? A. Yes, sir; I shall make a remark that will astonish you; I was chairman of canals when they paid six million and a half to the State, and we had then 908 miles of canals; I was chairman in the House away back in 1859 and 1860; people look at me as solid canal man; I am not a fogy; I know the canals have outlived their day; it is nonsense to say they have not; when you are talking of their leveling down the freight of railroads; in 1883 they carried 5,600,000 tons of freight and the Central railroad carried 10,000,000 tons; they are running scot free and we are taxed to bring the western products to tide-water and to-day the canals are carrying 4,200,000 tons, and the railroads 20,800,000 tons; we are asked to save a canal that has outlived its day, and paying this tax we ought not to pay, and discriminating against ourselves.

Q. Do you think it would be for the benefit of the whole State if the canals were closed up altogether? A. I think it would be a benefit to the State of New York if the canals to-day were sold; I am talking for myself now, not for the league; I guarantee that nine-tenths of the league are with me on this issue; what is the use of holding on to an elephant with the head off.

Q. You think they have had their day and that has gone by? A. Yes, sir; the minute that the railroads introduced the lock joints and steel rails that moment the canals were gone.

By Mr. Hamilton.

Q. What are your views in regard to allowing a deduction for indebtedness as an offset to assessments upon personal property? A. I would be still more liberal than Mr. Spalding is; I would make that deduction on a listing bill $3,000.

Q. The present law allows an offset for indebtedness against any amount that may be assessed against you for personal prop-

erty, a distinction not allowed in the case of real estate; would you maintain that distinction or place them both upon the same level? A. Place them both upon the same level.

Q. Carry it through in both or deny it or both? A. I would carry it through on both.

By the Chairman.

Q. In other words a man ought to be taxed for all he holds and owns? A. For what he holds.

By Mr. Hamilton.

Q. What have you to say as to the present rate of interest? A. I never was much of a croaker on interest; I never said much about the interest at all; I sometimes have said that money was like any other merchandise.

Q. Regulated by supply and demand? A. Supply and demand; there is one thing I would like and I look to this Legislature to get up a bill; I know it is a knotty question; I know it is a question a great deal easier to talk about then to sit down and draw it to meet all classes, because you will meet some of those, "I told you so;" you have brains enough here; you have got the power to give us a bill very near right, and I expect you to do it; I would say as to mortgages in either cities or counties, have the mortgages pay the interest and he deduct it from his real estate.

Q. Pay the tax you mean? A. Pay the tax; I should deduct it; I would not have him pay taxes twice.

Q. Wouldn't that lead to the foreclosure of many mortgages? A. No, sir; I have got a mortgage on my farm; I pay five per cent; if I have a tax on this it will be understood; talking about money being driven out of the country by taxes, that is just what we want; we wont have to protect it then; we do have to protect it now by our hard earnings; there is no danger of anybody concealing his farm, but if he has $20,000 he is apt to conceal it, and then we have got to protect it; the farming costs less to protect than any interest in the country and yet it pays the most taxes.

By the Chairman.

Q. What do you think of the idea of divorcing State and local taxes? A. Separating them?

Q. Yes, sir; by relieving real estate altogether from taxation for the expenses of the general State government? A. As far as it goes it is well; now take some counties it would work admirably; take a county like this, with the great city of Albany; we are taxed 6,000,000 on personal property; don't any of us know there is more than 6,000,000 of personal property in this city; don't anybody know there is over 70,000,000 of personal property in this city; it escapes taxation; it is put on to the farm and the man that owns a little house; he is the one that pays it; it is the poor ones to-day that are paying the taxes; I will tell you one thing, you have got to relieve us; if you don't, and you come from your grave a hundred years from now you will find the farmers on this earth are nothing else than serfs; let the same proportion go on for a hundred years and everything will be owned by millionaires the same as in Europe; it is a strange thing; the farmers don't know and realize; they don't know they have got to appear and meet this issue; we don't ask anything but justice.

Q. Do you mean that they do not exercise the right of suffrage as they should; I am interested in knowing what you mean by saying that the farmers do not exercise the privileges they enjoy? A. The farmers are glad to see us fellows when we are around after the nomination; we go to them and dandle the baby on our knees and talk to the old lady and we get their votes; instead of coming right here and following us here and demanding justice, they stay home, drink their cider, and when you go to talk with them they think there is a "nigger in the fence;" I think that the farmer is the most ignorant cuss in the world; it makes me so mad; he is like a great big horse letting a boy whip him when he could guzzle the boy and kill him in a minute; it is like sinners trying to get into heaven through a dozen doors when there is not but one; the only way is to come here and convince you people we are right.

Q. What is the idea of so many farmers' associations? A. Because they are a lot of fools; that is all.

Q. Theren't any fools in the State League? A. I hope not.

Q. That may apply to the Alliance, I suppose? A. I don't say that; I am not censuring that organization.

Peter D. Johnson, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You reside in Albany county? A. Yes, sir.

Q. You are a farmer? A. Yes, sir.

Q. How long have you been so engaged? A. All my life; ever since I was big enough to work.

Q. Have you given attention to the question of taxation? A. I have paid some attention to it.

Q. As it affects the agricultural interest of the State? A. Yes, sir.

Q. What have you to say as to the propriety of modifying the present laws relating to taxation, assessment and interest so far as they affect those interests? A. I believe that the law should be changed so that all kinds of property should bear its equal burden.

Q. In what respect do you suggest those amendments are necessary? A. Well, I don't know hardly how to suggest any, because this law in itself, as it is to-day, ought to act properly; the law stands that all men are taxed alike, but there seems to be a way that people get rid of paying a tax on property that they own.

Q. And your criticism is that it is owing to evasions of the law and not to defects in the law? A. That is it, because, as I understand the law, it says that all property, but people have become accustomed to get rid of the law either by perjury or some other form, hiding their property, etc.

Q. It is generally brought up that the farmers object to the escape of taxation by bonds and mortgages; what are your

views? A. I claim that all property should be taxed alike; if there is a double tax paid on bonds and mortgages, there ought to be a double tax paid on indebtedness, as far as personal property is concerned, but it looks to me that there should be but a single tax on any kind of property; wherever there is an indebtedness on a mortgage, a party ought not to pay for that which they don't have.

Q. What do you say to the present rate of interest? A. I don't think it would be consistent or to the best interest of the country to change the rate of interest.

Q. What do you think as to the taxing of savings banks deposits? A. I believe that all money above a certain amount, which would benefit the poor, should be taxed in banks as well as in other places, for the reason that the rich take the benefit of the banking system as well as the poor; I know a case where the man put $6,000 in a bank and he was not taxed one dollar; another poor person, under the law, worth $400, with $200 mortgage on, was taxed, and the other man not taxed a cent.

Q. What is the prevailing sentiment in your community in regard to the inheritance tax? A. I think, as a general thing, it is indorsed, but I must admit that I do not indorse it; I say that there is an injustice; I say that a man can, in his life-time, place his property so that the inheritance tax don't touch it; he may assign it; he may sell it; he may get rid of it; and then, on the other hand, you might be worth $1,000,000 at your decease and pay your tax regularly all your life to the amount of a great many thousand dollars, for fifty years, and the other one never paid a cent of tax, then, according to this inheritance tax, your children are taxed just as well as the other; it looks to me there is an injustice there.

Q. What are your views on what is known as the graded inheritance tax increase, according to the extent of the inheritance, the greater the amount of the inheritance the greater the rate? A. That would bear equally upon all alike; there would be no chance of getting out; for instance, a man could not sell his property during his life-time; or assign it, and get rid of paying

a tax; it would be an equal burden, as I understand it; that I would indorse.

Q. The comptroller recommends that the inheritance tax be amended by providing that the rate fixed, say at five per cent for a certain amount, shall be increased six per cent for a large amount, seven per cent for a still larger, and, in that way, carrying it up to the highest amounts, so that those who leave the largest estates will pay a higher rate than those who leave smaller estates? A. I don't see why; if you accumulate $10,000 and I only five, that you should pay any more in proportion than the increase of the sum; say, if I had $5,000 and you had $10,000, why should you pay ten per cent and I only five.

Q. To make the illustration more striking, in one case $10,000 and the other case $500,000, that there should be a different rate? A. I don't think that is fair play; because I had been more persevering and had accumulated twice as much money, I don't see why I should pay ten per cent and you only five.

Q. Have you any views to state to the committee on this form of taxation? A. There is this point in the question of taxation; a question was put to the different gentlemen, as regards their opinion, if it would be better to take the State tax — levy the State tax in some other form, and relieve the real estate from taxation; only the local taxation; I don't indorse that theory; I think that I can safely say almost ninety per cent outside of our public offices — the tax that comes into existence from the courts; I should say that ninety per cent is for the protection of personal property, and why should real estate bear the burden, which they derive but little benefit from; now you know as well as I do that as far as my farm is concerned it is safe from theft; they might steal my horse; it is personal property; if a burglary is committed he breaks the lock; but what does he break the lock for; to steal my money — to steal my personal property; if there was none in the house he would not commit burglary.

Q. Would you favor the adoption of the local option system by which each locality can regulate the proportion of tax to be paid by real estate and personal property? A. The principle of the bill,

as I understood it, last year was that each county, through the action of the board of supervisors, the State tax should be levied upon the same principle that it is now, but as far as the local tax is concerned they should have the right to say whether it should be upon the land and its improvements or upon the land alone, or upon the same principle that the tax is levied now upon the real and personal property; now, in certain counties, it might be very improper, and I would say right here in our own county; this board of supervisors is largely in the city interests, and thus they could, if they saw fit, put it upon land alone, and then what position would we occupy in raising the taxes to defray the expenses of this county? It would be the Henry George principle precisely; that is, taking the local option bill that was introduced last winter.

Q. You think that in a county like Albany, where there are two cities like Cohoes and Albany, they could combine and impose a heavy burden upon the country towns? A. Yes, sir; I am for a uniform State law; if you leave it to counties, how long would it be that a town would want the same principle — the control by their town board, that the people should levy their taxes as they saw fit; no; I think the wise principle is that the State of New York shall have one general law for the State.

By the Chairman.

Q. Have you given any attention to the amount of tax that the county of Albany really contributes to the support of the State government? A. No, sir; I have not paid any attention to it.

Q. The county of Albany last year contributed towards the support of the State government $125,513.82; it received back from the State, for school purposes, $91,474.80, thereby showing that the total amount contributed by the county of Albany was only $34,039.02? A. But did you substract the difference as regards the State tax when the county of Albany paid in her amount towards this school fund; is that the difference from that?

Q. No, sir; altogether for school purposes, and all she paid was the first sum named by me; then she received back the second,

showing that the amount not contributed by the county of Albany was only $34,059.02? A. That does not change the position; supposing the county of Albany was only worth $1,000, when she paid her proportion of tax she paid just as much as the city of New York if the city of New York was worth 1,000,000,000,000.

By Mr. Ainsworth.

Q. If the balance of the tax which the county of Albany paid was a tax created by Albany for local purposes, and the great mass of personal property which escapes taxation is situated in the city of New York, if you eliminate the State tax you might tax all you have in New York city and not reduce your local tax in Albany? A. No, sir; not a bit; our local tax is raised by our own corporations; as far as that is concerned we claim that the city of Albany does not pay its just proportion as far as our local tax is concerned; we claim as to the city of New York, or Kings, or any other county where there is a city that the city does not pay its proportion of the tax with the county.

Q. Take Warren and Delaware and Lewis, where there are no cities; would that help those counties where there are no cities? A. It would to this extent; here is Mr. Collins; has $10,000 of bonds and mortgages, and he doesn't pay any tax; if those bonds and mortgages were taxed to him it would be an alleviation of the principal of taxtion as it is to-day; your son starts out and buys a farm worth $10,000, and your means are limited; you give him as good a team as you can, with two or three cows, to start him on the farm; Mr. Collins has a farm right adjoining worth the same money; Mr. Collins has $3,000 worth of personal property, and your son only seven or eight hundred dollars, and your son has to pay as much as he has.

By the Chairman.

Q. So far as the difficulty lies in Albany county is it not largely due to the failure to properly execute the laws as they stand on the statute books to-day? A. That is it precisely; but there comes another point in, and that is this; there ought to be, and it seems to me there could be, some law that would reach a man,

and I know of nothing to make a man come up to the rack unless you operate on his pocket in some way or other; I know an instance right in my town from my own knowledge that would come right up there and swear as regards bonds and mortgages; they would swear off one-half.

Q. Why don't you pursue them for perjury? A. There is the peculiarity; why don't this man or that man all over the country; why don't they shove everybody that violates the law?

Q. You own personal property on your farm? A. Yes, sir.

Q. Are you assessed for personal property? A. No, sir.

Q. Have you ever gone to the town board of assessors to complain that they did not execute the law properly? A. Yes sir; I have complained to the assessors that they did not put up our town at its full valuation.

Q. Have you ever gone to the board of assessors and said: "Here I am, Mr. Johnson, and I own personal property, and I insist that you perform your duty by assessing me?" A. They would think I was an angel if I did that.

Q. Would not that be a fitting example, and have something to do with making them perform their duty? A. I don't know as it would; the point is this: The assessor is sworn to do thus and so; he is sworn to tax to the full amount; it has not been done.

Q. Have you ever heard the objection raised that if they assessed personal property locally that it would draw to your town or county an added proportion of the State and county levy; is it not true that if the assessors of the town in which you live should assess every dollar of personal property that it would draw to your town a larger proportion of the county and State tax, which is placed arbitrarily upon this personal assessment without any regard to equalization? A. That is a fact.

Q. That being true, is it not a strong temptation to the local assessors to avoid the assessment of personal property because it brings an added county and State tax to that town to be paid? A. To a certain extent, for this reason; for instance, I will illustrate; it is only a few years ago that the town of New Scotland — they came right here to the county clerk's office and looked over the books and put everybody on that was on record — I guess

everybody; I have heard how much they raised from personal property; I think William H. Clark kicked over it; I never heard of any other town in our locality only the town of New Scotland; of course, their taxes were higher, but if this was a general principle of law so that it would bring that whole thing all over the State, taxation would be less than it is to-day.

By the Chairman.

Q. Do you know as a fact that the large majority of the counties receive more money back than they actually pay to the State? A. I guess they do, some of them.

Q. For instance, the county of St. Lawrence, last year, contributed toward the State government $36,647.98, and received back from the State for school purposes $80,007.73; in other words, they received back $43,359.75 more than they paid? A. Now, then, suppose that St. Lawrence county pays a tax on her personal property, wouldn't she add nearly one-third more than she paid last year; there is the point; I think I could safely say that if Albany county paid her tax upon her personal property that she would pay considerably over one-third more.

Q. Do not those figures indicate that whatever burden of taxation there is, it is all attributable to local conditions, and that it is not the State that is punishing those towns? A. The State tax is not so large as the local tax.

Q. Now, the city of New York, to whom every man looks who has a grievance on the subject of taxation, paid to the State $1,694,054 more than she received? A. How much more would she pay, suppose she paid taxes upon all her personal property on the same basis.

Q. What benefit would that be to this burden on counties that we speak of? A. On their local taxes it would not be any benefit.

Q. As a matter of fact, forty-five out of the sixty get back more than they pay to the State, so that is conclusive proof of the fact that whatever their burdens are by way of taxation are all from local causes? A. Exactly so.

Q. Don't you think that the real cause is the failure on the part of the officers to execute the laws that exist? A. The point is, there is not anybody can find any fault with the law, because it says that all property shall be taxed on a fair basis, but there is something needed to bring men to that standard to make them pay on the property they own.

Q. Don't you think that the farmers, instead of meeting and preaching about their grievances, if they would meet and devise means for making those officers perform their duties under the law, it would be more beneficial? A. In the first place the Legislature made a law that every farmer could put his money in the bank and not pay a tax; the Legislature held out the idea that that was for the interest and the benefit of the poor; it was to a certain extent; but I will say this, was it not three times more for the interest and the building of the banks than it was for the interest of the poor, was it not for the principle of the banks making money on it?

Q. Getting back to my proposition, and taking a purely agricultural county, Warren, Wyoming or Washington; don't you believe that if the farmers should organize there in those respective counties with a single view of making the local officers discharge their duty under the law, that it would be productive of good results? A. Yes, sir; it would be just the same as I told you about the town of New Scotland; that would bring those bonds and mortgages to the front; but then, as far as the money in the bank is concerned, that they could not touch.

Q. That is one channel through which money escapes taxation? A. Yes, sir.

Q. What part does that play in a purely agricultural county? A. Not so large in extent, unless as the question came up, for the officers were in duty bound or made to bring out all those bonds and mortgages, and that very operation would throw more money in the banks, and there would be less bonds and mortgages and thus the real estate would be more injured and the banks would be benefited.

Q. But if those complaints are well grounded that go up from the agricultural counties of the State we must assume that there is not a great deal of money there to accumulate in banks; what have you to say to that phase of it? A. It is a matter of fact that in the country people don't put so much money in the bank, unless it is in the tax bank, as they do in the city.

Q. So that therefore the non-assessment of money in savings banks in the agricultural county does not play a very important part does it? A. Every $100 you take out of the county is a $100 less, and it is not fair that I should pay a tax one $100 when you put yours in the bank and don't pay any.

Q. Suppose that the law was enforced as it is, bearing in mind, of course, that it does not reach money in banks, would it not have a very beneficial effect? A. Yes, sir; there is no mistake about that.

Q. Don't you think that the people of those counties have sufficient sovereign power to make the officers discharge their duty under the law? A. Yes, sir; if they would take it in hand and do it.

Q. Would it not be more profitable for the farmers to meet with that end in view than to proclaim to the world their grievance from time to time, and simply end in preaching? A. That seems to be a general principle in most everything that comes up; this principle of taxation, or this principal of the assessors, has become, as we might say, a dead letter; it is a good deal like our excise laws; a man could not drink; a man is a criminal if he gets drunk on the streets; nobody arrests him in the country; in the city he is picked up and goes to jail; as far as taxation is concerned, with the assessors there is not much difference between the city and the country; for instance, goods in a store is not assessed in the city except in a very few cases, and neither are they in the country.

Q. But the city does not complain; we hear no complaint from the cities? A. When you mention the laboring classes you will find that they complain as much as anybody else; they will start up one of these days like the knights of labor.

A. Gove, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You reside in the town of Watervliet? A. Yes, sir.

Q. You are a farmer? A. Yes, sir.

Q. And have been for a number of years? A. Yes, sir; fifty years.

Q. You have heard the views expressed by Mr. Spalding and Senator Collins on taxation? A. Yes, sir.

Q. Do you concur in their views? A. I do in all except the Senator's canal ideas; I don't agree with him.

Q. You believe that such views are very generally entertained by the farming community? A. Yes, sir; I think so.

Q. Have you any particular views to express to the committee? A. Not any; I think.

By the Chairman.

Q. What do you think if farmers would organize in their different localities and insist upon the performance of duty upon the part of assessors? A. I think it would be a good idea; I think mortgages should be taxed.

Q. Do you believe that the holder of the fee as now should be taxed upon the full value, and that the holder of the mortgage should be assessed? A. No, sir.

Q. You think that the holder of the property ought to have an allowance equal to the indebtedness? A. Yes, sir.

Q. And do you believe in allowing for indebtedness on the taxation of personal property; for instance, a man owns $10,000 worth of personal property and he swears he has an indebtedness of $5,000, would you tax him for five or ten thousand dollars? A. I would tax him for five.

Jacob Waterman, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You reside in the town of Watervliet? A. Yes, sir.

Q. You are engaged in what business? A. I hate to say that I am a farmer, because they all do; I am a tiller of the soil.

Q. How long have you been so? A. All my life.

Q. You have heard the testimony of Mr. Spalding and Senator Collins and Mr. Johnson and Mr. Gove in regard to the question of taxation under investigation by this committee? A. Yes, sir.

Q. Do you concur generally in the views expressed by them? A. I do; with the exception of Mr. Gove, I can not indorse his canal theory; I indorse Mr. Collins' theory.

Q. Have you any other views than those they have expressed to this committee? A. I don't know that I have; they have expressed it quite freely.

By the Chairman.

Q. Did I understand you to say that you indorsed Senator Collins' idea about the canals? A. Yes, sir.

Q. You believe in filling them up? A. Yes, sir.

Q. They have outlived their usefulness? A. Yes, sir; I have lived in sight of them for forty years.

Jason V. Haswell, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you reside? A. Bethlehem Centre, Albany county.

Q. You have been engaged as a farmer? A. All my life.

Q. Have you heard the testimony of Messrs. Spalding, Collins, Johnson, Gove and Waterman? A. Yes, sir.

Q. Do you believe that they have truly represented the sentiments of the farming community of your neighborhood? A. Yes, sir; as far as they go.

Q. And also you concur in those views? A. To a large extent; in a general way.

Q. Have you any particular views to present to the committee in regard to the question? A. Yes, sir; I will say that I have heard a general complaint for many years, that the existing laws either do not give assessors the proper source of information to tax personal property in the way it should be to make it bear its proper burden as compared with real estate; and those who look at it fairly do not claim that the owners of real estate in the country are the only sufferers; they claim those in the cities are the same,

only that the burden can be shirked more on tenants in the cities than it can be in the country; the general complaint is that the better class has to pay taxes on what they owe and own — on their own property and their debts; I could not say how the law of last year operated in regard to swearing off a certain class of personal property; he has to get exemption by debts; the general belief has been that there was an inequality between personal property and real estate; that is a question generally discussed in our league and the general conclusion has been just as I say in that particular.

By the Chairman.

Q. Outside of the discussions in the league, have you made any efforts to have the law enforced, defective as it is? A. Yes, sir; I spoke to the assessors last year, and they told me if a listing law was passed it would give them more information, with proper safeguards, that they could assess a much larger percentage of personal property.

Q. Did they ever put the question to you as to whether you owned personal property? A. Yes, sir; I have had them propound that question to me; all I could say I owned was such as was necessary to operate my farm; if the law required it, I would be willing to pay it, provided all other classes of people should have the same exemption — not a large amount; I would not object to a law that would tax all personal property, but I would want it to be applied.

Q. Did you ever make any effort at those meetings to ascertain whether such property was liable to taxation? A. I have; there are so many I can't remember definitely.

Q. Don't you remember as to getting information as to whether it was taxable? A. I do remember having gained information, but it is several years ago; I don't know what I learned at that time.

Q. Did the assessor say to you that such property was not taxable? A. I don't know as he did.

Q. You appear to have been very easily satisfied with their answers? A. I concluded we had to take the law just as it was.

Q. But you do not appear to have made any effort to ascertain what the law was? A. Not of every assessor every time he came around.

Q. You have never read the law, did you? A. I have read some parts of it, but I have not had the law furnished to me to read thoroughly; that is, not all the laws.

Q. What do you think of the idea of divorcing State and local taxation by relieving real estate of all taxes for State purposes? A. I have thought considerably upon it and read upon it and I am hardly prepared to say that I would favor that plan; I have generally considered it was best to make all kinds of property contribute to every branch of government outside of the federal government where they do not assess directly; I am not sure which would be best in that case.

Robert A. Van Duzen, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you reside? A. In the town of Berne, Albany county.

Q. You are a farmer? A. I rent a small piece of land.

Q. You have been so engaged for a number of years? A. Yes, sir.

Q. Have you heard the testimony of the several witnesses? A. Yes, sir.

Q. Do you concur in the views that they have expressed to the committee? A. I do in all excepting selling the canals or filling them up; I think the railroads have quite a monopoly and they would be still more so.

Q. Would that not help the farmer? A. In one sense it might.

Q. If it raised the transportation of western products? A. It would; and the farmers in this part of the country have to buy a good deal of it.

Q. You know that the State has, by statute, regulated the amount per mile that a railroad corporation can charge for the transportation, can charge for a passenger? A. I know that.

Q. Don't you think that the State could just as well regulate

the amount per ton that the railroads would charge? A. Exactly; they could in case the railroad did not control legislation.

Q. Then you are one of that kind of men who believe that public officers can not be trusted? A. They can be trusted; of course they can; I don't believe that men have got so that they can not be trusted, but I tell you what, if a man has got a dollar in his pocket, he had better keep his hand in it.

Q. Suppose that simultaneously laws could be passed to do away with the canals, and one to regulate the carriage of freight, what would you say then to that joint proposition? A. I would say, if the laws could be made to regulate the carrying of freight by railroads and the railroads had the capacity to do it; I would say it would be well to do away with the canals, because there is a great deal of expense to the taxpayers of the State by reason of the canal.

Q. I don't believe there is anybody in the State that would favor doing away with the canals and giving the railroads license to charge what they saw fit; coupling the two together, would you be in favor of doing away with the canals in case the railroads were regulated? A. In case the railroads were regulated; yes.

Q. You would not even be willing to have it done at the same time? A. No, sir; I would want to know that the railroads were fastened first; in regard to bonds and mortgages, I would say that it is a certain fact that there is an unjust discrimination in taxation between real and personal property; that the money lender living on the interest of his money, which he has a right to do, and under the law it is considered property — I think but very little of any man or set of men that wants to live under a government and be protected by the laws, that is not willing to pay anything towards the support of it.

Q. What have you to say of a man with seven or eight children who contributes nothing but gets them educated at the public expense? A. In the first place a man that has got nothing, there is not anything expected, either under the moral or political laws; the sins of the ignorant should be winked at, my bible teaches

me; it is right that the public is willing to educate our children if we are not able to educate them; I believe in compelling them all to be educated.

Q. What would you say of each county in the State educating its own children? A. I would be opposed to that; I do not believe in cutting those things up; I would have a general tax law; I would not cut that up.

Q. You are not in favor of relieving real estate for State purposes? A. I don't think that would work very well; it looks as if it would be a little schemy.

Q. Suppose we could get money enough from taxing corporations, and collateral and direct inheritance to support the government? A. Then I propose to divide up with the poor counties.

Q. You would be in favor of taxing property in New York for the benefit of the men who reside in Wyoming county? A. Yes, sir; to that extent; how many dollars did you say was raised in the city of New York; something over a million more than it received back; if the money that is employed there in bonds and mortgages — if the tax had been paid on that, how many million more surplus would we have had in our State treasury to-day than we have got now.

Q. Would you be in favor of taxing that 1,000,000 and over and applying it to the local purposes of Wyoming county? A. I would if Wyoming county is not able to support her local government, I would be in favor of doing it.

Q. Suppose that you lived in the county of New York and were paying taxes there, how would you feel about contributing toward the support of the local government of Wyoming county? A. I should feel it was just if I was worth a million to help to pay the taxes of a man worth fifty dollars.

Q. Would not that lead to abuse in Wyoming county? A. No, sir; I don't think it would; it is not large enough and not large enough population to lead to very great abuse.

Q. Wouldn't that lead them to engage in extravagant expenses? A. No, sir; not if properly controlled.

Q. You concede that you can not control those local offices now? A. That is very true, because the law seems to be lax; we had a man in the town last year, the day before it was the first time for the board to meet he found out that he had been taxed for $40,000 in bonds and mortgages, and he simply moves out of the town and avoids it.

Q. It was the duty of the assessors where he went to assess him? A. By the time that they get ready to assess him he is over in New Scotland.

Q. It was not the fault of the law? A. The assessors had to meet on a certain day to fix it; he ascertained the assessors had to meet that day.

Q. He was somewhere that day? A. Yes, sir.

Q. Wherever he was it was their duty to assess him? A. Yes, sir; he moved to Schoharie county to avoid paying taxes on that $40,000.

Q. What remedy do you suggest that would catch such a man as that? A. About the best remedy would be to lock him up awhile, I guess.

Q. Tell us how to reach him to lock him up? A. Notify him that he has been assessed for that amount of money and to appear such a day no matter where he was, anywhere within the bounds of the United States, and if he did not appear that the tax should be levied against him if he had any property in the town, no matter what it was, or any in the State, no matter what it was.

Q. You think you ought to reach him anywhere in the United States? A. Anywhere in the State.

Q. You would do away with the present political divisions of counties and towns? A. That would not do away with it any more than it would do away with me if I lived in Erie county, if I was an officer and had a warrant to come down here to arrest a man here in Albany county and take him back there; that would not make any political division as I see; if it works well in one case it would in another.

Q. Would you take him where they had jurisdiction over the offense? A. Yes, sir.

Clinton Fonda, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you reside? A. Town of Watervliet.

Q. What is your business? A. Farmer.

Q. You have been engaged in that for a number of years? A. All my life.

Q. You have been present at the examination of the other witnesses? A. Yes, sir.

Q. Do you concur with the views expressed by the witnesses generally on the question of taxation? A. Yes, sir.

Q. So far as they affect the agricultural interests of the State? A. I do.

Q. You believe the sentiments expressed represent the sentiments of the farming community? A. Yes, sir; I have heard this thing discussed at our leagues, and those men who have talked this afternoon; I think it is generally understood that what they said is indorsed.

Q. Have you any particular views to add to those that you have stated to the committee? A. No, sir; I think they have been fully expressed.

The committee went into executive session, and on motion decided to meet in New York, January 23, 1893, at 11 a. m.

---

Meeting of the Joint Taxation Committee.

New York, January 28, 1893.

Superior Court, Part II.

The committee met pursuant to call.

Theodore W. Myers, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You are comptroller of the city of New York? A. Yes, sir.

Q. You have been such for how many years? A. Since 1888.

Q. Your duties call you in charge of the matters of the raising of taxes? A. In the matter of collection of taxes; not raising.

Q. And also investigation of the sources of supply? A. Hardly that; we simply have the collection of the taxes.

Q. Do you not, as a member of the board of apportionment, determine on the amounts to be raised? A. No, sir; simply the amounts of expenditures.

Q. Have you read the resolution under which this committee is appointed; have you read the resolution contained in the subpœna? A. Yes, sir.

Q. What have you to say then to the committee as to the propriety of modifying the present laws relating to taxation, assessment and interest so far as they affect the various business interests of the State? A. I agree with a great deal that has been said to the committee as to the modification and rearrangement of the tax laws, in so far as I think the county taxes should be separated — State and county taxes should be separated.

Q. You mean you are in favor, if possible, of a system by which the counties will be relieved from the necessity of contributing to the State taxes? A. I believe that the State should collect its tax direct — by a direct tax.

Q. Have you examined or formed an opinion upon what is known as the local option tax law, by which the localities would be permitted to determine the extent to which personal property would be assessed, if at all? A. Yes, sir.

Q. What are your views upon that question? A. As far as New York county is concerned, I think personal taxes have been proved to be a great failure; that we are unable to collect them; in fact, that the law in that respect has been a dire failure.

Q. Is the failure owing to the insufficiency of the law or to its lax enforcement? A. No; it is owing to the impracticability of the law; it is an almost impossible law to enforce, and as long as there are people who make up their minds to evade it it is a law that can be easily evaded, except by the poorer class of people who can not evade it.

Q. Do you believe that the business interests of this city would be promoted by the removal of the tax upon personal property? A. I certainly do.

Q. Do you believe that to be the prevailing sentiment of the business community in this city? A. I am certain it is; I not only think that this city would be benefited by dividing the local from the State tax, but I believe the counties would be benefited.

Q. Would you explain where the benefit would follow to the counties largely engaged in agricultural pursuits? A. Simply that the tax — where the tax would be collected by counties, the tax on agricultural lands should be collected by the county itself, and the tax on city lands would be collected by the county in which the property was situated, and that the tax on farming land is easy to follow, whereas the tax on city real estate is impossible to follow; it is paid by the tenant and not by the owner; if the tax is higher on a piece of city real estate, naturally the landlord puts up his rent, but if it is the same on the farm land, the agriculturist that produces a certain amount sends it to the market; he can not put up his product; it has got to bring the market price.

Q. Except in localities such as New York and large commercial centers, what benefit, if any, would follow from the removal of tax upon personal property? A. The tax for the State should be a direct tax, and the State should derive its income from sources such as by a tax on inheritances, which is a very successful tax now, and a tax upon corporations, and naturally the relieving the tax on personal estate would unlock capital and bring it to the State.

Q. Bring it here to the commercial centers? A. I don't know as it would any more than what it is now.

Q. In your opinion the removal of tax upon personal property would not increase the commercial importance of the city of New York? A. Simply to open the doors and give it a freer vent, and it would not be obliged to secrete itself; it would have more confidence; that is all.

Q. You believe that the capital is all here but it is hidden? A. Yes sir; it would give more confidence to capital.

Q. Your argument in favor of relieving it from taxation is simply on acocunt of the impossibility of enforcing the law? A. Yes, sir.

Q. Upon the broad question whether it should in justice bear its proportionate share of the public burdens, your opinion is that it should be taxed? A. Naturally in relieving the tax on personal property, it would be raised from other sources—real estate.

Q. Have you any suggestions now to make to the committee in regard to any more modifications of the present law upon any of those subjects based upon your experience? A. I made out a little brief which I believe would be a great advantage and which would bring revenue to the State; I will read it:

## Proposed Scheme of Revision of the Tax Laws of the State of New York.

1. A complete separation of State from local taxation.

A. Advantages.—The chief advantages to be derived from this are:

(a) Simpler methods of taxation.

(b) The abolition of the clumsy and frequently unjust methods of the State board for the equalization of taxes, to whose proceedings many counties—notably New York—have frequently raised their voices in protest; and the consequent doing away with the inducement to county tax assessors to place upon property an abnormally low valuation.

B. How accomplished.—The amount of State tax assessed against the several counties of the State has been steadily decreasing of late years. This has been due chiefly to the increased amounts received directly by the State from the corporation and succession taxes. It would therefore require a comparatively small increase in State tax to entirely relieve the counties from contributing directly for the support of the State government.

The following should be the source of State revenue:

(a) Succession tax.—The rate of tax should be the same as that now in force, but all exemptions should be abolished. When the

collateral inheritance tax was first passed it provided only for a tax of five per cent on legacies to collateral heirs and strangers. Under such a system there might be some excuse for exempting religious and charitable institutions from the tax and preferring them to ordinary strangers in blood. Now, however, the tax has been extended to direct inheritances, and under the act of 1892 it is the estate of the decedent which is subjected to the tax. Not only is it most incongruous and unjust that colleges, charities, churches, cemetery companies, bishops and so forth, should be preferred by the law to a decedent's own sons and daughters, but such a provision greatly increases the complexity of the laws and adds to the difficulties of its collection, besides causing an immense loss of revenue to the State. The law should not be considered as a tax upon legatees, but as a deduction which the State makes from the entire estate of decedent before allowing them to be distributed according to the provisions of its laws.

2. As to foreign corporations, by the passage of a law compelling them under adequate penalties to file certificates of incorporation with the Secretary of State as a necessary prerequisite to doing business in this State, and to pay a fee upon the filing of such certificates equal to the amount which they would have had to pay incorporated in this State. The tax is one-eighth of one per cent in this State; they go to other States and incorporate, thereby depriving this State, say on a capital of $500,000, of six hundred and odd dollars. Those foreign corporations have all the advantages that a domestic corporation has, and therefore they should be compelled to file for doing business a certificate of incorporation equal to the amount that they would have to pay otherwise.

By the Chairman.

Q. So far as the act of incorporation is concerned it will derive no benefit to the corporation under the laws of the State? A. No, sir.

Q. It would answer the question that the incorporation tax drives capital out of the State? A. Yes, sir.

(c) Tax on franchises of corporations:

(1.) Fire insurance companies.

Require the officers of all domestic insurance companies other than those conducted on a purely mutual plan, to make report with State Comptroller on first days of January and July in each year, stating amount of gross premiums upon which such a rate should be fixed as the Legislature may determine. Foreign insurance companies should be required to file similar reports and to pay a fixed percentage of gross premiums received from business done within the State (a two per centum tax of this character in Pennsylvania realized $395,307.97 in 1891).

(2.) Transportation companies, including railroads, surface lines, cables and electric lines, express companies, pipe line companies, telegraph and telephone companies, based on actual value of capital stock plus indebtedness, fixed at a certain rate (to be determined according to the fiscal needs of the State) and assessed in the proportion which the length of the line in the State bears to the total line operated (a modification of the Connecticut law).

(3.) Banks.— By passing a law bring foreign banks on a parity with domestic banks, i. e., compelling them to file reports with the Banking Department of the State and provide for State control and investigation, similar to that now undergone by similar domestic corporations. This having been done both domestic and foreign banks might be made to bear their quota of State taxation, or the whole matter might be left to the local authorities as is now done in the case of domestic banks. The present preference and privileges of foreign over domestic capital should, in any event, be abolished.

(4.) Manufacturing corporations, same as now existing, except that when not based on dividends the tax shall be assessed against actual value of capital stock plus indebtedness instead of simply on capital.

By Mr. Ainsworth.

Q. I wish you would explain what you meant by capital stock plus indebtedness; do you mean the tax upon the indebtedness? A. On the bonded indebtedness; the stock plus the bonds; tax the bonds which we rarely do now.

Q. Governed by the rate of interest which they pay? A. No; similar to the method adopted in banks.

(d) Each county should be allowed to raise its tax for local purposes, in a manner its own citizens prefer; this would be the most satisfactory and popular step in the direction of home rule that could be devised in relation to taxation.

The State tax having been provided for, no county could feel that it was being unjustly treated by the methods of taxation in another county. The overwhelming demand in New York county for the abolition of the general personal property tax could be accomplished without friction or criticism. At present New York county is assessed at three-sevenths of the total real estate valuation of the State, and at but one-sixteenth of the total personal property valuation, a fact which is so absurd on its face that it should convince the rural communities that no tax can be enforced by laws however stringent which do not meet with the approval of the subjects of taxation.

Many trust funds now held for the benefit of widows and orphans do not bring in an income of more than four per cent per annum. At our present rates, the general personal property tax would, if enforced, deprive these beneficiaries of almost one-half of their means of subsistence. This amounts to confiscation, and is repugnant to the moral sense of the community. Such a law can never be enforced and its present existence on statute books result merely in a more or less efficacious stifling of the political conscience of the people. The laws of taxation applicable to agricultural communities are absolutely antagonistic to those relating to cities, and when once the complete separation of State from county taxation is made, each county will be free to adopt such a system as will best meet its needs and be most successful in operation.

Provision should be made giving to each county the power to collect revenue from the franchises of corporations exercising monopolistic privileges within the confines, based on grants of a public character, such as elevated railways, gas and electric light companies, telegraph and telephone companies, street surface lines, etc., etc. The amount of tax paid by them directly

to the State should, of course, be deducted from the local rate just as is done at present. The method of taxation should be the same as in the State tax on corporations — i. e., based on actual value of capital stock plus indebtedness, fixed at a certain rate (the annual rate) and assessed in the proportion which the length of line in the county bears to the total value. Nearly all such corporations carry on their business wholly within the limits of a single county, but this rule would, in any event, prevent double taxation.

There are certain things so noticeable in taxation. For instance, I will just give you an idea. I have gone over this thing with some little care. In 1891 the tax collected by the State on insurance companies amounted to $121,846.23. The tax on similar corporations collected by the State of Pennsylvania, in the same year, was $407,386. It is believed that these figures are too eloquent to need further comment. The State tax in New York on transportation companies, including express companies, steamboat companies, palace car companies and pipe line companies, for the year 1891, was $795,257.90. The State tax of Pennsylvania on railroads alone, for the same year, was $1,120,751. (This excludes $38,741 paid for account of taxes, and $549,535 paid for city, township and borough taxes.) The State tax on telegraph and telephone companies, for the year 1891, in New York State, amounted to $22,615.53 on earnings, and $29,224.88 on capital, making a total of $51,840.41.

In Pennsylvania, for the same year, though the tax regarding the amount of business done and value of property invested should have been very much less, it was in fact almost as much, namely (excluding county and local taxation), $49,619. The New York tax on foreign and other State banks, for the year, amounted to the miserable pittance of $36,182.02. The causes of this failure of the law have been so completely stated in the annual report of Comptroller Wemple, for the year 1891, as to need no further commentary on my part. The State tax of New York on corporations, for the year 1891, amounted to $1,350,338.53. In the same year Pennsylvania (excluding tax on organizing and other items not included in the New York estimate) collected $5,227,834.67. The only tax law of New York State affecting

personal property of corporations which has operated with even moderate success, is that taxing the shareholders of banks, and this is a tax made to operate locally and assessed and collected by the several counties of the State.

By the Chairman.

Q. To what do you attribute this difference? A. To the unfortunate condition of the law; in the jumble in which the present law is it is most confused.

Q. Is the rate about the same here as it is in Pennsylvania? A. No, sir; it is less here than there.

By Mr. Malby.

Q. Would you advise increasing the rate and also the facilities? A. No, sir; I would not advise an increase of the rate; our opportunities of collection are so much greater than in Pennsylvania that with the rate one-half we ought to collect as much.

By Mr. Ainsworth.

Q. The trouble is with the method of taxation? A. Yes, sir; and with the unjustness of the tax here, the discrepancies; the law is so mixed and so confused that it is very easy to evade; Connecticut has a very valuable law as far as corporations are concerned; they tax the capital plus the indebtedness.

Q. Would you make a difference in the rate as to stock which paid dividends and that which does not? A. That is regulated by the value of the stock; we only tax upon the value; a stock that has not paid a dividend does not bring the same price.

Q. That presents a great many difficulties as to what the value of stock is that pays no dividends; stock not listed on the exchange; how do you arrive at that value; the earnings to the company must go to improvements and not pay a dividend? A. Yes, sir; and therefore the bonded indebtedness should be taxed, because a great many companies make their bonded indebtedness so heavy that their stock is comparatively worthless, and therefore they evade taxation.

Q. Would you make a difference between the stock of a corporation extremely profitable and one that owing to its exigencies

of business can not pay anything; how would you arrive at that value? A. By the value of the stock; we only tax on the value of stock; that is how the tax is raised, not on the value of the corporation; it is raised on the price of the stock.

Q. But you and I and the chairman are three stockholders; a close corporation which pays no dividends; how would you arrive at the value of the stock, it not being quoted? A. By the sworn affidavits of its officers; that is all; and if the bonded indebtedness of the corporation were taxed then the stock would be of minor importance.

By the Chairman.

Q. Don't you think there ought to be a right in inquiry on the part of the State Comptroller as to the value? A. Yes, sir; there ought on all corporations.

By Mr. Hamilton.

Q. What do you say as to whether capital has been or is being driven from the State by reason of the existing laws affecting corporations? A. I don't believe it has.

By Mr. Ainsworth.

Q. Have you seen the report of Governor Abbett, of New Jersey, in regard to the organization of corporations in that State where the stockholders reside in this? A. I did not read it; I think I heard something about it, where he intended to increase the corporation tax.

Q. I think it is a report he has recently made to the Legislature in which he gives the figures of capital represented by corporations in that State where the stockholders reside in this, and from which he argues that capital has been driven from this State by taxation? A. That he will drive it from that State and it will go to Connecticut or Virginia..

Q. You are not familiar with it? A. No, sir; I think the whole question should be evaded by having a franchise tax on all corporations doing business in this State, deriving their protection from the State; I think it is very unjust that foreign corpora-

tions should have the same protection as a local one; if they choose to adopt that method of incorporation in other States, they should be required to have their franchises taxed in this State, which would greatly increase our revenues and bring an immense revenue to the State.

By Mr. Hamilton.

Q. In the paper which you read you speak of the succession tax; are you in favor of what is known as the graded succession tax recommended by Comptroller Campbell? A. No, sir; I think the tax as it is at present will prove a great source of revenue to the State, and I think if the tax is increased it will as this personal tax is done be a tax that will be difficult to collect, and it will be the cause of attempting to evade the tax; the tax is now collected; it is a tax that is collected by personal effort.

By the Chairman.

Q. Do you think that the present rate, five per cent on collateral inheritances, is too high? A. No, sir; I think that the five per cent on collateral inheritance is a just tax, becomes a man comes a comparative stranger.

Q. What have you to say as to the rate of one per cent on direct inheritance? A. It is not so much, I suppose, considered by the State a tax as it is a tribute to the State for the distribution of the money, and the only objection I have to it is that there should be no exemptions from it.

Q. Would you say that the rate was high enough? A. I think so.

Q. You do not think that it is too high? A. No, sir; I think it is a fair tax; it is a slight compensation to the State for property or money that has evaded taxation; it is not excessive.

Q. The State Comptroller recommends, as the counsel has suggested, the grading or, in other words, the exempting of certain amounts, and then the fixing of the rate on other amounts in proportion to the size? A. The laws have been changed so frequently that our law now is almost a perfect law, and, I think, it would be unwise to change it just at present; I think I would give the present law a chance and see how the income comes to the State.

Q. Do you think that an inheritance over $10,000 ought to pay the same rate without regard to the amount it may be above that. A. Yes, sir.

Q. Suppose the inheritance was $10,000,000, do you think the rate should be the same? A. I don't think it should make any difference.

By Mr. Hamilton.

Q. What is known as the bonded indebtedness of corporations would you extend that to the taxation of the bonded indebtedness or municipal corporations? A. I don't think so; municipal corporations should be entirely exempt from State taxation; the State should derive its income direct from corporations.

Q. You exclude municipal corporations and their indebtedness? A. Yes, sir.

By Mr. Malby.

Q. By taxing the corporations which you have named here, would it, in your judgment, reach nearly all the personal property in that way, or a large percentage of it? A. I think it would.

Q. So that personal property would in that way be paying quite a proportion of the State taxes? A. I want to say before leaving that I am in great sympathy with the agricultural districts, and I think that the large municipalities should bear a great amount of tax, as they do, and I think by separating the State from county taxes you will effect that and there will be no longer this difference of opinion between the counties, and you can see the thing is so immensely unjust; we ought to have almost the whole personal property of the State, whereas we have a large part of the real estate value and hardly any personal.

Q. The bulk of the testimony shows that the burdens in the agricultural districts are largely of a local character; how do you think we can remedy the local burdens of taxation in the agricultural districts? A. That is a subject that I have not studied.

Q. The committee have ascertained upon examination where farmers were present as witnesses, the extent of their contributions

toward the State government, and they have invariably turned out to be very light, showing that the burden of taxation of the farmer is largely of a local character? A. I would not attempt to discuss local taxes in agricultural districts.

Q. The difficulty is that while the general sense seems to be in favor of relieving the agricultural districts, that where the burdens are of a local character it becomes more difficult to devise a scheme for a relief as you can see? A. Yes, sir.

By Mr. Ainsworth.

Q. If you raised the State revenues by a tax upon corporations, and then granted local option to the localities as to whether they would tax personal property or not, have you not given any thought as to whether the stock or bonds of corporations which are taxed for State purposes should be exempt if a locality should decide to tax personal property? A. That is, so far as the corporation or the company trades in that locality; in that county — each county should have the right to tax the bonded indebtedness and the stock pro rata to the amount of business operated in this county.

Q. But many corporations have their home offices in counties entirely different from that where they do any business; for instance, a steamer company on Lake Erie, whose business is done at Buffalo, has its home office on the Hudson river here? A. They do their business in that county, though; it does not make any difference where the office is.

Q. Under existing laws they would be taxed at the place where the home office is? A. That is not just; they should be taxed in the county where they do business; if they do business in Erie and have their office in New York, why should they not pay their tax in Erie?

Q. Would a company that is taxed for the maintenance of a State, and if New York county should decide to tax personal as well as real property, should the bondholders or stockholders of the corporation which has been taxed pay their proportion? A.

No, sir; there should be no double taxation; every corporation pays to the State and that is always deducted in the county taxes.

Q. Would not that as a result deprive the localities of the taxes which they should derive from personal property, if they should decide to tax personal property? A. If the county and State taxes were separated the counties then would make their own laws for the protection of their own counties, and would make their taxes upon corporations doing business in their counties; they would have the right to make their own local laws.

Q. If they should make a law which would decide to tax personal property, then a stockholder of a New York corporation that has once been taxed for State purposes would then be taxed for local purposes? A. No, sir; we have that same question here, but the State tax is deducted; it is deducted from their local taxes where they pay to the State.

Q. Has it ever been suggested to you that the present tax on succession, what is known as the succession tax, has a tendency to concentrate wealth in families, because the owner of the property prefers to leave it to his children directly where it will pay but one per cent tax rather than to distribute it generally where it will have to contribute a share of five per cent under the law of 1892? A. I think that is very remarkable: I have never had it presented that way.

Q. The question has been suggested by a gentleman present? A. I think when a person wants to make a gift, whether it pays five per cent or one per cent after he dies, it does not make much difference to him.

By the Chairman.

Q. Do you think that the natural tendency ought to be to keep the money within his family? A. Yes; I can not see anything in that argument.

Q. You hardly think a man would disinherit anyone to save four per cent? A. Hardly; no, sir.

Abram B. Tappen, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you reside? A. New York city; since the annexation of lower Westchester to New York I have been a New Yorker.

Q. You have been judge of the Supreme Court? A. Yes sir.

Q. For how many years? A. One term.

Q. Have you investigated and examined into the question of what is known as the succession law of this State? A. I have thought of the subject for many years before it was adopted.

Q. You have some views to present to the committee on that question, I understand? A. I have always been in favor of an inheritance or succession tax after learning of its success in our State.

Q. What have you to say as to the present law; any suggestions in regard to its modification? A. I think that collateral and direct, both real and personal, should contribute a certain sum of money upon the demise of the owner to the State treasury; as our probate and surrogates courts are now organized they are supported entirely by taxation in the several counties in which they are located; an estate to be administered whether under a will or in case of intestacy goes through the surrogate's court; it contributes nothing in the way of fees or charges in any respect to the support of the tribunal which had to pass upon its settlement; some time ago I had an estimate made in the New York surrogate's court of the number of letters testamentary, letters of administration, letters of guardianship, annually issuing out of that court; the number was in the neighborhood of 5,000; many of those estates amounted to hundreds of thousands of dollars; twenty years ago or more, a fee of five dollars was attached to any issue of any letters where the estate was over $100 or $500, and that was abolished by subsequent legislation, and no fee reserved to those courts; I estimate that one-half of those 5,000 letters issued in the New York probate court could pay a fee of five or five hundred dollars, simply for the grant of letters alone, which should go into the county treasury, and which would form a very

considerable fund for the support of the court itself; that rule should be applied in every county of the State; now, coming to the succession tax, I communicated my views several years ago when Mr. Edward Donnelly was one of the commissioners of taxes in New York city, an intelligent, retired merchant, and I could not persuade him as to the tax; he says it would be a tax on the dead; I said: "You can not tax the dead; that would be beyond all human control; the tax would go on the estates which the living were inheriting;" and it is the only way gentlemen, by a direct and collateral inheritance tax that you can reach personal estate; there is no doubt of that; when I see the estate of Mr. Astor passing from him to an only child, which the newspapers value at $100,000,000 — I don't know what the real value would be — I say he should pay five per cent to the common treasury; that rule should apply to every county in the State, and to every estate over $10,000 in value; you might exempt that, or you might exempt $10,000 in behalf of each of the children, or something like that; one of the chief weak features is it exempts so much in the way of charitable, literary, benevolent and other institutions; I say to you that there are institutions in this State receiving hundreds of thousands of dollars in bequests which are exempt from this tax; can you tell me why those institutions should enjoy all the benefits of the laws and the features which civilization brings — should be totally exempt from contributing some small sum of money when receiving a large gift.

By Mr. Guenther.

Q. They are exempt to the extent of $3,000,000? A. It is very large; now, that applies to the inheritance tax; it is one per cent on direct inheritance and five per cent on collateral inheritance; I recollect in the Legislature reading some of its debates; one of the members said: "If we enforce a law of that character the State will receive money than it needs for its annual expenditure," and that seemed to strike him as one of the worst objections to a law of that character; well, gentlemen, my own judgment is that when the State receives more than it needs, it can very easily and very properly restore to the county the

surplus which each had contributed to make up the sum total, and in that way the counties will be relieved from their expenditures; several years ago I made up a statement to show the amount of money in the tax levy paid by New York city to the State Treasurer for a period of ten years, and during that period it was $70,000,000; the difficulty with our State organization is that it has now to go into every county in this State, and each of those counties has to go to every township for the purpose of receiving contributions for the support of the State; the State should have on independent source of revenue of its own; it should leave every county out, unless it is necessary to collect something to make up a deficiency; but the wisdom of the present Legislature will be best shown by devising a scheme of income which will relieve it from going to the sixty counties, and those counties going to 1,200 townships; now, in respect to personal taxation, I will illustrate to you by the township of Yonkers, where I did live and where I have taxable property — four townships embraced in the city of Yonkers; the result of the personal assessment law, as now sought to be enforced, is that you don't get the money; a man worth $5,000,000 of personalty will compromise for $500,000, as was the case with the late Mr. Jay Gould; I recollect when the assessment of the Vanderbilt estate came before the commissioner of taxes and assessments several years ago, the trustees said: "We will compromise with you;" the trustees came before them and said: "If you insist upon that amount $15,000,000 or $20,000,000, we shall certainly remove the location of this estate to Long Island, Suffolk county or Queens county, but if you will accept a valuation at the hands of the trustees of one-third of the amount which the tax commissioners thought it ought to be fixed at we will pay it;" I find that the real estate of the city of Yonkers, for the year 1891, is valued at $24,000,000; the values are up pretty well, and they contribute a fair share to county and State government; Yonkers is high as to valuations in real estate; the personal estate amounts to three per cent of that valuation of real estate — the wealthy city of Yonkers, having some of the largest owners of personal property in the State among its residents, returns personal taxa-

tion, for the year 1891, at $600,000, less than three per cent of the valuation of its realty; now, there is in the city of Yonkers undoubtedly half as much personal estate in value as there is of realty, and if the realty is $24,000,000, there is $12,000,000 in that city personal estate, producing income escaping taxation; it is no use to talk about listing law or anything of that kind; it is simply an inducement to perjury; a man without a conscience will escape taxation; I would be glad to see the law as to personal tax thoroughly enforced; Governor Hill said personal property must be taxed; I agree with him, and everybody else, if you can reach it; but the consequence of the present law is that the honest pay and all others escape.

By the Chairman.

Q. Then, the proportion of the honest to the great whole is very small? A. They don't go up and swear it off; it was so during the war with the income tax; a man that had $100,000 a year would swear it down to nothing; it is a war tax, like the tax on the conveyances of property; it was essential to the support of the government during the war; as to this question of collateral and direct inheritance, I remember settling an estate in the surrogate's court of Westchester for $70,000, which went to the testator's widow and children, and the government tax of one per cent was cheerfully paid, amounting to $700 without demurrer to the collector of the government revenue, John Mason; you see how easily this can be collected if we once adopt a proper law; but of all things strike out this terrible exemption feature; I recollect reading in some history of English literary people an anecdote touching Charles Lamb; he collected a legacy of thirty pounds for his sister, who was in an asylum; the government tax of ten per cent was exacted on that thirty pounds; three pounds he had to pay to the government; I don't advocate that; that is going too far, but I do say that all estates on the death of the owner, without any reduction, except in the case of the widow and children, should be assessed, and the revenue should go to the State and the counties would feel a wonderful amount of benefit; this State Board of Equalization could be wiped out;

every board of supervisors has a committee on equalization, by which they take so much for the town of White Plains and put it into the town of Bedford; there is too much exemption of property of all kinds throughout this State in this inheritance law; real estate I am talking about now, and no one knows better than Commissioner Coleman who made up a table; he said there were 200,000,000 that escaped in this State.

By the Chairman.

Q. What would you say about limiting the amount of church property, for instance, that ought to be exempted? A. It ought to be; I would not give any educational institution with an income of $20,000 any exemption whatever; let it pay taxes as anybody else would.

Q. All church property is exempted; now, what do you say about fixing a limit? A. There must be a limit.

By Mr. Guenther.

Q. Do you refer to chapter 553 of the Laws of 1890 as to exemption? A. It is the law of 1892; I am in favor of the State obtaining a revenue by its own mode of taxation, which would relieve it from going into the sixty counties.

By the Chairman.

Q. Outside of the question of exemption, the present law contemplates the assessment of all personal property; judging from your experience with the taxation of personal property what do you say of the wisdom of continuing to tax personal property at all? A. The effect of the present system is that personal property escapes in a large measure, and only the honest few find themselves obliged to pay.

Q. What do you say as to the wisdom of continuing to tax it at all? A. I think I would allow every county to determine for itself whether it would have personal property added to the tax-rolls or not.

Q. Then you are in favor of separating State and county taxes and allowing local option largely through the counties? A. I

think it would be wise to try it for a time; we could try it to a limited extent; now, another suggestion has been made that when we put personal property on the tax-roll you can by legislation say that where the amount is reported by the owner, or any way you like to get an honest return, the tax thereon should be only one-half the tax on real estate; that would have a tendency to bring out a great many million dollars by people that don't want to pay a large per cent; for this reason mortgages are five per cent; the taxes are two per cent; if a man has $25,000 in mortgages and has to pay one per cent or one and a half per cent in tax he can not afford to pay it; no one can; there is a popular feeling on this subject which controls assessors and lawmakers and all people charged with the administration of the law, and the feeling is that you can not reach it.

By Mr. Ainsworth.

Q. The idea in the agricultural districts is that if all that property was taxed the rate would be very much lower? A. I agree that all property should be taxed if you can reach it, but it is impossible; now, a large amount of the personal property — I am not familiar with the workings of the tax commission here in New York, but I do know this — an estate of land was converted by the executors into personalty by a sale to the amount of $200,000; they rendered their account to the probate court showing that sum of personal estate and declaring the executors who held it under the provisions of the will; the assessors have the right to go to the probate court and to the register's office and any other place, and the result is that this estate of $200,000 was put down on the assessment-roll, and in that way the assessment-roll of this city has been increased while the living owners have had quite a time to keep it out of the tax-roll.

Q. You justify the levying of a tax upon direct and collateral inheritances upon the theory that the counties are put to an expense in administering the estate? A. Yes, sir.

Q. If you justify it upon that ground, in order to be logical, why ought not those taxes go to the localities that are at the expense of maintaining the court? A. I should not have any objection

to their going to every county in which the tax is collected, but the State ought to have some independent source of revenue which would keep it out of those counties every year.

Q. Then you justify the tax on the needs of the State rather than the expense to the localities? A. Out of justice to all the counties; it is very disproportionate in some counties compared with others.

Q. Some States have a listing law, Ohio, for instance; have you ever examined the question as to how much property was added to the rolls by that law? A. They have it in Connecticut too; the assessor comes along and hands a printed list to the persons who have to answer them, and according to that person's conscience he may expose his poverty or his richness; it is an inquisitorial law, and as I said before, about the government income tax during the war, it is largely evaded.

Q. Have you ever examined the question as to how much it added to the rolls? A. No, sir; I have not gone into that in other States.

Q. So that it is a matter of opinion as to whether it works in those States rather than a matter of knowledge? A. I don't favor the assessor going to every person and saying: "I want you to swear how much you are worth;" I think you can do justice to the taxpayers and to the public treasury without going into that system.

By the Chairman.

Q. Your theory is that the county would be compensated for maintaining the probate court by a tax upon a granting of the letters? A. Yes, sir.

Q. And that the other would be a contribution to the State treasury? A. Yes, sir; that is my idea; I would have a little system of fees for the benefit of the county treasurer, which would certainly pay all the expenses of the court.

By Mr. Malby.

Q. Do you agree with Comptroller Meyers with reference to increasing the tax on corporations, and so forth? A. I have not

given any attention to the subject of corporation taxes, although I admire the wisdom of the law that provides an income to the State.

By the Chairman.

Q. I should like to get your opinion as to whether you favor the taxation of personal property at all, or whether you think all the revenues ought to be derived from real estate and from corporations? A. Well, personal estate is in New York city $243,000,000, that is on the tax-rolls; I compare that with the assessment of real estate and I find it to be sixteen per cent; I could scarcely favor the striking of that off; I should feel reluctant to say that it should be stricken from the rolls.

By Mr. Hamilton.

Q. Under the present inheritance tax law real estate passing to the direct descendants is held exempt; would you favor the continuance of that exemption? A. I would not favor any exemption, I should impose a very moderate tax upon real estate, because that has contributed its share of taxation every year; on the succession tax I should favor its being taxed and not exempted — real estate as well as personal; when you say that the State may receive $10,000,000 a year when it only wants 5,000,000 that is an argument in favor of this tax, because that excess can be returned to the different counties in the proportion which they contribute.

Q. That excess could well be applied to the education fund of the State? A. It could be applied to the different counties to the general reduction of taxation.

Q. At what rate do you believe real estate passing to the direct descendants should be taxed? A. One per cent is enough, but you should devise some simpler form; you want a much more simplified form, and it is easily done by anyone who is familiar with the drafting of laws and questions of evidence.

By Mr. Ainsworth.

Q. How large a proportion of the transactions in the exchanges in New York do you think represent actual transfers intended to be followed by delivery? A. In trade and commerce generally?

Q. On the exchanges, produce and stock and oil? A. I should say seventy per cent of them were speculative or marginal.

Q. When those are speculative to so large an extent, would it not be as equitable to make a tax upon those as upon inheritances? A. I think that law would have more tendency to restrict trade; I don't believe that the government cares to go into that; I will tell you why; I have no very close knowledge of this question, but it would show that the speculation in grain in Chicago put the prices of grain up, and it has benefited the farmers who have had the grain; I don't believe you ought to tax any of those.

Q. Would that be any more restraint on trade than a tax upon corporations? A. A tax upon a legitimate value is very different from a tax on a stated transaction; I buy wheat at one dollar a bushel, and I don't take it; if it comes up to one dollar and five cents I pay the difference.

Q. The ownership may be only for a day? A. Yes, sir.

Q. If it is a shady transaction how is that a restraint on the trade? A. If they had to pay this tax they would stop speculation; I buy 100 barrels of sugar and contract for it for future delivery; I buy it and take it; are you going to tax that?

Q. No? A. Why not?

Q. Because that is an actual transaction and the other is not. A. If I don't want to take it I will pay the man the difference and I will be the loser.

Q. One is an actual transaction in the necessities of life and the other is gambling? A. How are you going to follow the difference between the two?

Q. By the question of delivery? A. Who is going to do it? That law would be a failure and not only a failure, but it would throw a cloud upon the success of some other forms of taxation which we all approve of; if people want to go down on the exchange and bet with each other that stocks will reach a certain price, and they don't reach the price, let them go ahead.

By the Chairman.

Q. Wouldn't the tendency be to drive exchanges out of New York altogether? A. Yes; talk about putting one on cotton

and they would move the market to Liverpool; Liverpool is as great center as New York is.

Q. It would be very unfortunate to drive those exchanges out? A. Let me explain to you; I read that some two or three hundred years ago that some of the countries in Europe it was deemed best to raise the revenues of the government by putting a one per cent tax on all sales, both retail and wholesale; now, then, the producer sells to the storekeeper; he was taxed; the wholesale dealer sold to the retail dealer and he was taxed one per cent, and when the retail dealer distributed the article among the consumers he had to pay his one per cent, and the whole thing resulted in bankruptcy; you can not tax everybody and everything.

Q. In that case the consumer paid all the tax really? A. That is what it came to; the consumer was taxed three per cent.

Q. The small men paid all the tax? A. Yes, sir.

By Mr. Ainsworth.

Q. That would not apply to exempting everthing that showed actual delivery? A. I do not want to tax the current trade and the business of the country, whether it be speculative or mercantile; transactions are the same and to some extent speculative; you buy a cargo of tea in China, and you don't know when it comes here how the market is; you might have to hold your tea and sell it at a loss; leave those transactions alone and then you can get revenue from other sources to meet all the expenses of the government.

Q. It seems to be that it is illogical if you are going to exempt personal property from taxation and then tax a direct inheritance because it has escaped taxation? A. An inheritance is a gift; within common law no man could make a will; the power to make a will and dispose of estate after death is a purely statutory power to give certain people certain property; now, why should not the recipient contribute something out of property which he has not earned and which he may not be in need of for the general welfare.

Q. Do you base it upon that ground or do you base it upon the ground that the property has escaped taxation while in the

hands of the owner; I don't think it is logical? A. I have said at the beginning, I want the State treasury to be filled from other sources so that it need not come here to this city for six or seven million dollars every year and go to other counties every year.

By Mr. Malby.

Q. Would you increase the percentage as the estate increased? A. I would make it reasonably moderate so that it could be surely collected; if you make it unreasonably there will be some mode of escaping or evading it; I would exempt estates of $10,000 for the benefit of widows and children only; the personal estate in New York city on the tax-roll at two per cent or less will produce about the sum contributed by the city to the State treasury, and so long as the State needs five or six millions from the city every year it will not do to exempt personal estate; New York and other counties, when authorized by law, can dispense with personal taxes when the State, from the other sources I have indicated, obtains a sufficient amount for State purposes.

Edgar J. Levy, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You are in the comptroller's office of the city of New York? A. Yes, sir.

Q. And you have charge of the department for the collection of the collateral inheritance tax? A. I have.

Q. You are familiar with the operation of the law? A. Yes, sir.

Q. Have you any suggestion to make to the committee as to its operation or as to any of these amendments? A. I have heard the testimony of Judge Tappen on the point of exemption from the act, I want to indorse most heartily everything he has said and I think perhaps I can show the committee ways in which the State suffers by reason of the exemptions in addition to the amount it loses by not collecting this tax; the second section of the present tax provides for a tax on direct inheritance

and right at the end of the section there is a sentence: "But no legacy heretofore or hereafter given to any person who is a bishop or to any religious corporation shall be subject to tax;" now, it is a fact that in large estates it is a favorite method for testators to leave their property to somebody for life, with the power of disposition by will. In such a case the State can not collect the tax when it passes through the surrogate's court, for the reason that the executor may say: "This person to whom the power is given is going to bequeath that property to some person who is a bishop, or to a religious corporation;" consequently, as regards that remainder, which may be the principal part of the estate, no tax can be collected, and as a practical matter it probably won't be collected at all, because the only reason why this tax is easily collected is it goes through the surrogate's court, and you can tell just how much property there is there, but if you are to rely upon the honesty of the legatees, you are brought down to exactly the same position that you are in with regard to the taxation of general personal property; I call the attention of the committee to the language of the General Term in this department in the matter of Wolff, recently decided in which they call attention to the provision in the act as most incongruous; they say that evidently the Legislature must have thought that a person who was a bishop was entitled to more consideration from the testator than his own children; that is the act of 1892.

By the Chairman.

Q. Who do you say should pay that tax; the man having the life estate or the remaindermen? A. The remaindermen should pay the tax upon their own interests; under the act of 1885 and 1887 the statute evidently contemplated taxing the legacies in the hands of the legatees; last year an effort was made to reach the body of the testator's estate as a whole; now, if it were not for those exemptions you could simply deduct one per cent from the net amount of the decedent's estate, and that would be the end of it; but as soon as you have to ascertain the amount going to each distributee you are met with great practical difficulties.

Q. Would you favor the imposition and collection of the tax without regard to where the money was going or to whom it was given? A. If you had no exemptions it would to a very great extent make the collection of the tax simpler.

Q. You would be in favor of doing away with all those exemptions? A. Entirely; I don't think there is any justification for it.

Bolton Hall, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You reside in New York? A. Yes, sir.

Q. What is you business? A. I am a lawyer.

Q. You have given considerable attention to personal taxation? A. Yes, sir.

Q. You are a member of the Tax Reform Association of New York? A. Yes, sir.

Q. And secretary of that body? A. Yes, sir.

Q. And are also the author of several literary productions upon the question? A. Yes, sir; I am.

Q. Including the work known by the title of "Who pays your taxes?" A. Yes, sir.

Q. Are you familiar with the present laws with regard to the levying, assessment and collection of taxes in the State of New York? A. As regards those upon real and personal estate, I am; to the matter of corporations I have not given so much attention.

Q. Are you also familiar with the systems in other States? A. Yes, sir.

Q. And in regard to the operation of the listing system? A. Yes, sir.

Q. And also the Massachusetts plan? A. Yes, sir.

Q. And the Pennsylvania law? A. My information being in a general way.

Q. Have you anything to say as to the propriety of modifying the present laws relating to taxation, assessment and interest so far as they affect the agricultural, manufacturing, commercial, laboring, banking and other interests of this State? A. Yes, sir; I think it would be for the prosperity of the county and State of New York to entirely exempt personal property from taxation,

and to raise our whole revenue from the value of real estate and from taxes upon the special privileges to corporations; our real estate derives its value principally from the presence of the personal property on and about it; the world is large and any discrimination that he may make of the nature of a personal tax has a tendency to the concealing of personal property, and to the driving of it away and the driving of the payer of it away from the State; were the sixteen per cent, or thereabouts, now assessed upon personal property in New York, which includes assessments upon banks — were that added to the tax upon real estate and exempt the personal property, it would so increase the value of the real estate that real estate owners could well afford to pay the extra burden upon their real estate and, in fact, that is the sentiment almost without exception of the largest real estate owners in this city; in that all the great land holding estates occur; the larger manufacturers and merchants would advocate such a thing and the small shopkeepers want the same thing; the average citizen is willing to pay his fair proportion of taxes; the reason that he wants to evade is because he knows that most other citizens evade and he knows that if he does not join in the iniquity he will be unduly assessed; whereas if I pay so much tax on a positive basis, there are very few who would not be willing to say: "I will pay my share;" the attempt in other States to collect personal taxes by listing bills has had the effect of driving out of those States large payers of taxes — those who have large amounts of personal taxes; I have a client, for instance, who resided for many years in Ohio; he fought the listing system in the courts, and when the highest court in the State decided against him he removed to New York and he still remained here; he has invested his money in real estate and in insurance stocks in New York, and from this of course his investments tended to raise the price of real estate; upon those he pays his taxes; he is glad to pay them; I think that represents the sentiment of the great mass of New York business men, large and small, as well as of New York real estate owners.

Q. Let me ask you right there; where would any advantage flow from the exemption of personal property in agricultural commu-

nities? A. Because where we do succeed in assessing personal property, the farmer's personal property which can not be concealed, is got to a much larger proportionate extent than that of the merchant or the banker, and therefore it is hard on the farmer; everyone knows if the farmer has saved a little money and loaned it on a mortgage the assessors get that sure; if he has an expensive machine the assessor gets that sure; but the city man knows the legal devices—can pay for the legal devices for evading that sort of thing, and knows the methods of moving his place of business or his headquarters or summer residence to Jersey or Tarrytown or Connecticut, or wherever he thinks they would be most easy with him; the farmer is stuck right there, and the assessor hits him every time.

Q. In large cities like New York you justify your position upon the ground that it would be a benefit to the city? A. Yes, sir.

Q. But when you come to the agricultural community you do not justify it upon any such ground? A. I do; at present it is very difficult to borrow money upon mortgages at less than from five to six per cent in country places; I never heard of one at less than that, and usually it costs more than that, because the mortgages are made for a year and there is the expense for searching, commissions and so forth; and it will run up to seven and a half, and at the end of the year there is another; it is very well for lawyers; why then do they pay that? Because my clients can not loan in the country; because they know that the assessor is going to catch them; I had a client who wished to borrow $40,000 at four per cent; I had borrowed for another client that amount for one of the companies here; I went there the other day and said to the secretary: "Have you got any money to lend?" "Yes, sir; we have got about $40,000 we would like to put out;" I thought I was all right then; I said: "I have got a first-class mortgage for you at four per cent;" he says: "We can not do that now;" he says: "That loan we made before, when we came to figure it we had to pay a tax," I think it was 167 or something like that, for that loan, and now we must get six per cent; if you have to pay a high rate of interest on the mortgages it decreases the value of your real estate as an investment; if the mortgage were exempt

not only in the city but in the country, we would be able to borrow money on mortgage, I think, at a rate not exceeding four per cent, and that would be a great help to the farmer; it would bring him considerable prosperity; it would make his property available for use and furnish the capital necessary for it.

By the Chairman.

Q. Was that loan on city or country property? A. It was city property; but the same thing would apply with more force on country property; he would say: "We are sure to be caught."

Q. Is it your experience that mortgages are universally taxed? A. No, sir; by no means, but there is always the fear that the assessor will catch them.

Q. They are taxed in exceptional cases? A. Yes, sir; private individuals solicited to loan their money upon mortgage will always say: "Well, I would sooner have some stocks, because at any time the assessors may catch that mortgage, and either compel me to pay it or do as the prudent ones do now;" all prudent investors put in a paragraph saying that should the lender of this money be at any time called upon to pay a tax upon it, or should it be returned by the borrower for taxation, or any attempt made on his part to have that money taxed, that the mortgage shall immediately become due; that is the printed form of mortgage used by most of our lenders now.

By Mr. Hamilton.

Q. Do you regard the income of property as a fair basis of taxation? A. No, sir; I do not; because a large amount of property is held either vacant or with deficient improvement, bringing no income but held because at some future time the owner expects to get a large premium by holding it out of use; I think that the best plan would be to separate the values of the improvements and the value of the land and to tax them for what it was worth — what income could be got out of it by its best use.

Q. What are your views upon what is known as the local option bill? A. I think that would be an excellent thing; I think it would result in some out of town county putting their tax wholly

upon personal property and exempting real estate, and I think that would happen for just one year; they would see that it promptly drove all the personal property practically out of the county and the next year they would repeal the whole thing; it would be, it appears to me, a method of getting some one to make, at their own expense, and to make thoroughly, an experiment which would be invaluable to us; it would be the best object lesson that ever was had; suppose Westchester county exempted all real estate and put it all on personal, we would see a visible stream coming to New York and Kings county; the most foolish county would be sacrificed and I think that is the best one to sacrifice.

By the Chairman.

Q. The sentiment of Westchester county is very much against the taxation of personal property? A. I believe that; I took it for that reason.

By Mr. Guenther.

Q. You think local option is a good thing? A. Yes, sir.

Q. It virtually means the exemption of personal property? A. I think it would be the ultimate result; in New York city that would be the immediate result of it.

By Mr. Hamilton.

Q. What have you to say in regard to the question of levying an excise tax by the State for State purposes as it is done in Pennsylvania? A. I am here to some extent as the representative of the New York Tax Reform Association; we have taken no position upon that, and anything I should give you upon that subject would be merely my personal opinions; I do not think I speak for any united body of citizens in that way.

Q. Is there any united opinion in regard to the present rate of interest amongst the members of your association? A. There is not.

Q. Upon the question of taxation of savings bank deposits? A. All these things are outside of our platform; this subject of taxation is a very large one: it has numberless ramifications and if

any one knows one branch it will keep him very busy; the best thing is to try and find governing principles; every man says: "Would this be expedient?" "Would that hit that man hard?" "Would this strike this part of the country?" The tendency of legislators as well as others is to try to tax this way instead of saying: "Find out what the principle is."

By Mr. Guenther.

Q. Will you tell me why, if I have $50,000 and no real estate, and you $50,000 real estate and no money, my money being loaned out on bond and mortgage, why I should not contribute a fair proportion of money to meet the expense of the government as you do? A. Because even as a holder of personal property you must use real estate, and there you will pay a fairer proportion of taxes than can be collected from you in any other way.

Q. Suppose I live in Pennsylvania and my money is over here? A. Even so, your money in one way or another will pay that tax; what are you going to invest your money in?

Q. Government bonds, manufacturing or railroad bonds? A. Let us take that separately; we encourage government bonds may be floated at a low rate of interest, and that was a war necessity, but under any system which you gentlemen may propose you can not tax those government bonds so that we need hardly consider that matter; that is a United States law at present; you can not tax those.

By the Chairman.

Q. As all the earning capacity of money loaned on mortgage is fixed by statute, is it not a fact that the earning capacity of improved real estate is largely fixed by necessity? A. I think that the earning capacity of money, although it is nominally fixed by statute, is actually fixed by necessities; as a lawyer, for instance, if I have money to loan and I can not loan it at six per cent, and the rate is higher, in some way or other, as exemption from taxes, I think that a man will pay the price.

Q. Is it not a fact that owners of real estate in a community like New York fix their rental for instance upon the theory that

taxation and interest must be taken care of? A. I think it must be fixed entirely outside of the owners; I think the rate is fixed by the competition in the markets; I do not think the owners can fix the rate; if they could they would charge us all for the privilege of living on the earth.

By Mr. Ainsworth.

Q. Here is a farmer that barely makes a living; by the side of him is a money lender, with $100,000 invested in bonds and mortgage; he lives in a house and lot that is worth $2,000; you say that this thing is equalized by his having to pay a larger rent because of the land he occupies; between the farmer and the man who has $100,000 and lives in a place that costs $2,000, where is the equalization? A. In the first place, the rich man is usually a large owner of real estate; when a man has $100,000 he does not live in fact in a $2,000 house, and even if he did, his $100,000 has got to be somewhere or other; there are only two possible ways; either it is invested in something where it is producing or else it is loaned to this farmer next door; if it is loaned to this farmer next door you tax it.

By Mr. Guenther.

Q. Would not the ultimate result be that if you exempted personal property from taxation there would be a great desire for all owners of real estate to dispose of that real estate and get ready money, thereby reducing the value of farms throughout the State? A. No, sir; I think the effect would be the contrary; that wherever personal property would be exempted that personal property would be attracted to that place, and that would raise the price of everything.

Q. You don't think the rich man in the city would be attractive to a farming community? A. I do; I would like to attract Jersey capital or Ohio capital.

Q. You do not anticipate you can attract by the moving taxation upon personal property wealthy men from the city to live in the country because there is an exemption from taxation? A. No; I don't think I could attract them to live, but I could attract them to invest in the country.

Q. If the farmer was necessarily a borrower, but all farmers are not? A. No, sir; but he gets an indirect benefit.

By the Chairman.

Q. The testimony of the former witnesses that we have had has been to the effect that at least one-half of the farms in the State are not mortgaged? A. I suppose there is no doubt that is true.

By Mr. Ainsworth.

Q. You made a statement that the tax upon personal property injured the farmer from the fact that his machinery and stock were visible and tangible and therefore assessed; do you base that upon a knowledge of the fact? A. The farmer does not ordinarily pay under our present system any personal tax to speak of, because he elects the assessor, and he says to the assessor: "If you tax me on personal property I won't vote you next year," but under the listing system, as in Ohio and California, the farmer does pay a proportion of the personal tax.

Q. In this State he does not? A. In this State he does not.

Q. Have you given any attention to the effect of the listing law in Ohio as to the effect upon the assessment-roll? A. Yes, sir; the experience in Ohio has been that the first year they got a great deal of personal property, and every year it slips down less and less, not as much as one would expect, perhaps, because a State like Ohio will grow in spite of anything you may do, but it checks the natural increase of personal property.

Q. It is now in use in sixteen States? A. About; if all the States were to adopt the listing system, there is no doubt it would tax the personal property more than you do now.

Q. After you have adopted it in the forty-four States, have you an idea that the people would live in the jungles in Africa rather than in free America? A. I do not think it would tend to increase the American colonies in London and Paris; they are very large colonies there now.

Q. There is a feature in the Ohio law that if a person does not correctly return his personal property there is not only an

arbitrary assessment within the power of the assessors, but a fine also? A. Yes, sir.

Q. Is not that a sufficient answer to the objection that people would not correctly return? A. They do not correctly return; we know very well that the most they have gotten is forty per cent on personal property and that the universal testimony is that the value of personal property is at least equal to the value of real estate, and then a part of that comes from things which, under our state of affairs, would be taxed; for instance, bank stock; those would be taxed anyway; there is a very radical difference between the conditions of real estate in the city where it is active and the conditions of real estate in the country where real estate is good for nothing, except to raise wheat on; one is an investment for revenue and the other is his business; if you increase the tax upon real estate you consequently increase the tax and his revenue does not increase in proportion; while here in the city, if you increase it you add to the productive power; a farm that is worth $150 for taxation will raise forty bushels of wheat to the acre; a farm that could be bought for forty dollars an acre would raise just as much wheat; I think if you raise the selling value of that farm you would raise its practical productive power; that is to say, your friend has a farm and we make our laws so as to attract a manufacturing establishment within a mile of his farm; it will only raise 150 bushels of wheat just the same, but he has a market right close now, and he can sell to them.

Q. Is it not true that all manufacturing is now seeking centers of population and being driven from the country; it is in the locality that I live in? A. Is it not true that they are beginning to tax them there?

Q. No, sir; I am myself interested in a factory that is to-day moving to Syracuse simply from the fact that there is a number of skilled people that they can employ; I know from the other manufacturers that that is the reason that actuates them? A. I think that may be the tendency; of course, that is a very large question; that is the whole question of the aggregation of population in cities.

Q. Have you ever thought of the acreage that was cultivated per capita, and its increase in this country? A. To that subject I have never given any attention; I am not posted on the subject at all.

Q. If the acreage per capita under cultivation in the United States has doubled since 1850, then you would think that the question of taxation would have very little effect upon the farmer's income, would you not? A. You mean to say that in spite of the tax laws it has doubled?

Q. As a matter of fact, it has doubled per capita since 1850; is not that the controlling feature in his income rather than the taxation; the acreage per capita has actually doubled since 1850; is not that the controlling feature rather than the question of taxation? A. I would not want to pronounce upon that question offhand; the machinery enables the cultivation of larger areas than it has been previously; that is the question I am not posted on; it is a subject that should be considered to what extent that is due to the fact that a man can now cultivate three acres where he could cultivate one.

Q. He can not increase his own acreage, can he? A. No, sir.

Q. The criticism which I make upon the theories is here right in the city of New York where increased business adds revenue to real estate; the subject of taxation of personal property I conceive affects the income of real estate here, but I think that if you were in the farming community and saw the utter impossibility of increasing the production or the price per acre of the farmer's land, that you must take a different view of it? A. If the farmer thinks that it would help him to tax the personal property, we have the county option bill proposed; under that he can tax it.

Q. Must not he necessarily think that if he lives in a given area that must produce towards the county expenses a fixed sum, that you as a money lender living in his community, whatever you pay decreases the amount that he must pay; I mean county taxes? A. Yes, sir; it is an argument that strikes as a practical demonstration, is it not; whatever the city pays towards county taxes comes off him.

Q. Or whatever the personal property holder living in his locality pays reduces the amount he pays? A. That would be true provided it could be got.

Q. Whatever he does get reduces it so much? A. No, sir; not if the result of getting more personal property results in getting more of his personal property.

Q. He has none? A. He has his machines and cattle and grain there, all personal property — household furniture.

Q. But the other man has that also; I am speaking now of the surplus; but if there is a net result in your plan for increasing the tax on personal property and getting more of it; if it results that you get ten per cent more of the city property and thirty per cent more of the county property I don't see where the farmer is benefited.

By Mr. Hamilton.

Q. Under the present law personal estate when taxed is allowed a deduction for the indebtedness of the owner; does your association favor the continuance of that exemption or offset? A. It does.

Q. Notwithstanding the fact that complaint is made that no similar allowance is made in the case of real estate and that therefore there is an inequality? A. It does, notwithstanding that fact.

Q. Do you believe that it should be refused to real estate and continued in the case of personal estate — this allowance? A. Yes, sir.

Q. Upon what ground? A. Because any attempt to tax a mortgage really gets to the borrower; it would simply result in having to pay six per cent instead of having to pay four; Dr. Beeks has proposed year after year in the Assembly a bill exempting mortgages from taxation; last year it never got out of the committee; only last year he modified it by proposing the exemption of mortgages bearing four per cent or less from taxation; I am of the opinion, and most of those with whom I have talked coincide in the opinion, that the passage of that bill would reduce the rate of interest upon mortgages to four per cent, and that it would extend to the country as well as to the city, and it

seems reasonable, because it is sensible and it appeals, I think to the farmer constituents; it would hardly be sensible when a man loans his money at the liberal rate of four per cent — it would hardly be right to tax him one and a half per cent.

By Mr. Ainsworth.

Q. If you double up property you cut the rate in two, do you not? A. If doubling the property you decrease the value of real estate, then do you not cut the rate in two?

Q. Real estate, farming property, is simply worth what it will produce? A. If by taxing personal property you reduce the value of the land —

Q. You don't reduce the value of the land unless you reduce its producing value; the city property has another value than a farm, has it not? A. That is only true within limits; even the farmer occasionally sells and occasionally expects to sell; there is now a considerable demand all over the country for residences and estates and places even at a distance from the railroads; all that affects the value of farms.

Benjamin F. Romaine, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. What is your business? A. I am a lawyer and also a real estate owner — improved and vacant property in the city of New York.

Q. Are you a member of the Tax Reform Association? A. I am not an actual member; I am interested in its work, and have aided them in various ways; last year I appeared with others in behalf of the local option bill, and I have appeared before legislative committees; I opposed with other members of the Real Estate Exchange, the so-called Dempsey bill.

Q. You are a member of the Real Estate Exchange? A. Yes, sir.

Q. You have given attention to the question of taxation? A. Somewhat so.

Q. Have you any views to express to the committee in regard to modifying the present laws on the subject of taxation? A. I

should say most decidedly that the local option bill should become a law; I do that for the reason that it may not be thought proper that ideas emanating altogether from residents of large cities should be inflicted, so to speak, on rural communities; I feel that a bill like that is fair, and that the rural counties will eventually see the justice of it, in securing the abolition of personal property tax throughout the State; I believe that personal property taxation is radically wrong in any community; I consider that in almost every case personal taxation becomes double taxation; as a real estate owner I am very anxious that personal property taxation should be abolished, specially for this reason; in New York city, for instance, very large sums of money are loaned by savings banks and life insurance companies on bonds and mortgages; they are exempt; individuals are threatened with a menace of taxation, also executors and trustees and others; they do not loan at the rates at which they might loan were they free from this menace of taxation, as I stated to Mr. Ryan's committee last year; it is a menace more than anything else, as the law can not be enforced and no listing bill can be enforced, but the menace is held over all owners of real estate, and in all probability life insurance companies and savings banks get a higher rate for that very reason; competition should be made very much greater between the savings banks and life insurance companies on the one hand, and individuals on the other, provided personal property taxation were abolished.

By Mr. Guenther.

Q. Do you know of any reason why a bond and mortgage held by a life insurance company should be exempt from taxation and one held by an individual should pay? A. That is an illustration of my theory of the injustice of the present taxation.

Q. You don't know why it should be continued? A. I do not; that is in support of my argument in favor of abolition of personal taxation; we have those enormous exemptions such as you have stated — all savings banks, all life insurance companies, where the money is in the shape of accumulation of policyholders, as was testified at a former meeting of this committee.

By Mr. Hamilton.

Q. Is the value of all city property determined by its revenue in the same way that country real estate values are fixed? A. It is determined by supply and demand.

Q. Is it different from the law fixing the value of agricultural property? A. There are economic questions involved in the use of agricultural property that are perhaps hardly within the scope of this present committee, but I know they are always brought up when a discussion of this kind occurs; Mr. Coudert, who is quite an authority on economic questions, raised that argument before General Curtis' committee in opposing the Dempsey listing bill; he said he would be very glad to give them his views on that point; his brother is a large farmer, and I think they are both very familiar with the subject; economic questions naturally arise at the same time with discussion of taxation.

By Mr. Malby.

Q. Would you confine the taxes exclusively to real estate? A. As to individuals; I am in favor of a greater tax on certain classes of corporations than now exist; for instance, I think all of us regret very much, who are not Western Union stockholders, that the Western Union Telegraph Company pays so little in the city.

Q. You think that the tax on corporations might be properly increased? A. On certain classes of them.

Q. Religious corporations? A. I do not believe in any collateral exemptions; I believe that every corporation should be taxed under the law.

Q. I have reference to business corporations? A. Excuse me; I do not say that with reference to business corporations; I am not prepared to say except in specific instances; I know that corporations have been largely increased in the State of New Jersey on account of certain discriminations in this State.

Q. Could not that be overcome by taxing foreign corporations doing business in this State the same as you tax domestic corporations? A. Possibly so; that has been the subject of recent adjudication; that might possibly work.

Q. The only thing we would lose in that case would be the fee on the creation of the corporation? A. They are taxed on that personalty, you know, such personalty as they have here, and they

are taxed every year on that; it would be an inducement to have their principal office here if they were not taxed only on their capital.

By Mr. Guenther.

Q. Has not a corporation organized in this State a better business standing than one organized in New Jersey or West Virginia? A. Regarding the latter State I think it quite possible; regarding Jersey I think there is no distinction; some of our largest corporations are incorporated under the laws of New Jersey.

Q. Coming back to the proposition to exempt personal property from taxation, would that increase the taxation on real estate? A. It would, but it would make the value greater.

Q. In view of the fact that a farmer can hardly derive a living from his farm would it not be a burden from the farmer to relieve personal property from taxation? A. There are economic questions involved in that aside from the mere question of taxation, and those questions are well known to those who have studied them; I don't think it would come so hard on the farmer, because the amount of personal tax is very small any way, and the effect would be indirectly, if no directly, upon the farmer in his favor; he would get a lower rate of interest, for instance, upon bond and mortgage; suppose I own a piece of property and want to sell it; if money is cheap I have a great many more purchasers for it.

By Mr. Ainsworth.

Q. Supposing you own a piece of land and do not want to sell it, but want to raise potatoes on it? A. That is an economic question; it is a question whether or not you are competing with regions raising potatoes more cheaply than you do; Mr. Coudert took the ground that the rural regions of New York do not raise what they should raise for the supply of the city; that there are a great many things we should be glad to get and would be better than attempting to raise commodities that they attempted to raise in competition with the west.

By Mr. Guenther.

Q. If personal property was not taxed that same competition in raising potatoes somewhere else would still continue, would it

not? A. You can not prevent competition with the purely agricultural regions of the west; I am told that a change might be made for the benefit of the agricultural regions of this State by raising different commodities.

By the Chairman.

Q. Are you in favor of the separation of the State and local systems of taxation? A. Most decidedly; I believe friction would cease then.

Q. You think that is practicable if real estate should be relieved altogether from State taxation for State purposes? A. I do.

Q. And that the local authorities of the various counties ought to have the power to assess such property as they deem best for the purpose of defraying the expense of their own local government? A. I do; and I hope to support again before the committee Mr. Farquhar's bill for that purpose.

Q. Are you in favor of exempting church property without regard to its value, or would you limit the amount of exemption? A. I have not looked especially into church exemptions, and could not say positively about that; but I would like to state that I am in favor of a complete abolition of exemption with reference to collateral inheritance taxation; I think it is very unjust to make those exemptions indeed.

The committee went into executive session and adjourned to meet February 1, 1893, in Albany, at 7 p. m.

---

Albany, N. Y., February 1, 1893.

The committee met pursuant to adjournment.

William H. Parsons, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Your name is William H. Parsons? A. Yes, sir.

Q. You reside in the city of New York? A. My residence is at Rye, Westchester county, N. Y.

Q. You carry on business in the city of New York? A. Yes, sir.

Q. Your business is what? A. Paper manufacturer.

Q. Are you also a member of the New York board of trade and transportation? A. I am one of the vice-presidents.

Q. That body has appointed a committee on taxation? A. Yes, sir.

Q. Of which you are also the chairman? A. Yes, sir.

Q. And as such you appear before this committee of the Senate and Assembly to-night? A. Yes, sir.

Q. How long have you been engaged in business in the city of New York? A. Nearly forty years; I think to be exact thirty-eight years.

Q. During that time you have given considerable attention to the examination of the question of taxation? A. As far as circumstances would permit.

Q. So far as it affects the business interests of the community in which you have resided? A. I have.

Q. And your committee has also given attention to that fact, have they not? A. Yes, sir.

Q. Now, what have you to say on behalf of the board as to the question of modifying the present laws relating to taxation, assessment and interest, so far as they affect the agricultural, manufacturing, commercial, laboring, banking and other interests of the State? A. What I have to say would simply be confined to a resolution which was adopted by the board of trade and transportation, and which, if you will permit me, I will read; the resolution is as follows: "That it shall be the policy of the State of New York to attract rather than repel business enterprises; that our laws should be at least as favorable as those of sister States, and that a business enterprise conducted under a co-operative or corporate form should not pay a tax higher than a like business conducted by an individual or firm, and should be as free from inquisitorial interference." This paper was voted at a meeting of the board of trade and transportation which was held on the fourteenth of December; the committee consisted of Seth Thomas, John F. Henry and myself, as chairman; we were appointed to convey this paper to this honorable committee, and fearing possibly that we might not be granted a hearing, we addressed to the committee, under envelope to Senator McClel-

land, a memorial which had been signed by the committee; possibly it might be well for me to say to you that the board of trade and transportation represents, I think, in the neighborhood of 3,000 membership, eight or nine hundred which are firms or corporations, and the other members are individual members; that membership represents representative men in all departments of the commercial interests of the city of New York; I need to stop to specify it; I think it would be difficult to find any interest of any magnitude that was not represented among the members of the board; the other members who are here will speak upon a general subject of taxation; I will confine myself simply to this resolution; it is well known, I fancy, to all of the committee that during the past dozen or more years the commerce and the commercial interests in New York have grown immensely; the prosperity of the State is largely dependent upon those commercial interests; I think if you were to blot out the commercial interests of the city of New York you would take away from the State of New York a large measure of its present prosperity; when the commercial interests are in a prosperous condition the agricultural interests are helped to a greater or less extent; when the commercial interests are prosperous a larger amount of money is in circulation — is spent for food products and other purposes which go more or less directly into the hands of the agricultural interests or those who represent the agricultural interests; when the commercial interests are depressed, and those who are interested in them economize, its effect is felt upon the agricultural interest; therefore it seems to me that the two are very closely bound together, and when I refer to the commercial interests, I mean manufacturing, shipping, banking, trade and all the different departments of the commercial interest which go to make up the whole; in the increase of business and in order that there may be a stability to firms or manufacturing corporations doing business, the tendency for the past few years is for persons who have been engaged in business and who have large enterprises on hand, to put those enterprises upon a more stable foundation, so that they are not as dependent as they were heretofore on the life of more or less than one man; hence corporations have been formed, which are in a sense

co-operative, and it seems to me, gentlemen, that it is a self-evident proposition, and one that hardly needs any argument on my part, that it is to the interests of New York to attract and cultivate rather than to repel business enterprises; to-day, the trend is towards larger enterprises, and larger enterprises must necessarily be of a co-operative or corporation form, for the matter of convenience, or for the matter of continuance after death of those directly interested in them; as I have studied this question there seems to me that there will be in the years to come more corporations rather than less, and that the tendency of those persons engaged in large enterprises, and I speak from personal experience in this matter, is in that direction; if not out of the way I would like to refer simply to my own personal experience; I have been a merchant in New York for nearly forty years; my firm heretofore was W. H. Parsons & Co; we claim to be a representative house among the paper manufacturers of the country; last year our interests had grown so large that it seemed to me and those interested with me, who are my own family, that we should form a corporation; we did form a corporation; it is known by the same name as the firm name under which we have conducted business for so many years; under the laws of the State of New York there were certain difficulties in our case as we thought in forming this corporation in a manner that seemed to us to be prudent; they say an honest confession is good for the soul, and therefore we went to the State of Maine, not New Jersey, as so many of my friends have done; there were reasons why we went to the State of Maine; I wish to explain that I am president of four other corporations which are all formed under the laws of the State of Maine, and we are now doing business, and I am happy to say under the sanction of the Secretary of the State of New York, as a foreign corporation; we are residents of the State of New York; if the facilities for forming a corporation under the laws of the State of New York had been as favorable as they were under the laws of the State of Maine I can see no reason why we should not have preferred to have been organized under the laws of this State and been known as a home corporation rather than a foreign one.

By Mr. Coggeshall.

Q. Will you state what the objections were to forming a corporation in this State? A. The objections, some of them, have been removed as you know; there has been quite a modification if I am not mistaken in the law of corporations during the past year and a half; am I not correct?

Q. The law has been modified? A. Yes, sir; it was the question of taxation and of responsibility; according to the laws of the State of Maine that is the end of all resposibility to the holders of stock, assuming, of course, that it represents value.

Q. One objection, then, was the individual liability or responsibility of the stockholders, and another was the subject of taxation? A. It was more economical to do it there; in our own case, as an individual firm, there were certain offsets as against our personal estates in the levying of taxes; when we transferred those same assets into a corporation, neither more nor less, we were liable to very much heavier taxation than we were as an individual firm.

Q. The corporation tax was greater under the laws of the State than it was as an individual firm? A. Yes, sir; as individuals we were not taxed except upon our personal estate; as a corporation we would be; the reason why I feel very greatly interested in this matter — you asked me if I had looked into the subject of taxes; I have made a good deal of study of the question of co-operation; I am now conducting two manufacturing establishments, of which I am president, where we have introduced co-operation, and I believe that corporations are in a sense co-operative concerns, and in my judgment co-operation of labor and capital will go farther towards settling the differences which exist between labor and capital than any other one thing that can be done; last week we had the annual meeting of one of our corporations; I am not going to stop to tell you what our co-operative system is; we pay our operators the going wages; there are many of them skilled men, some of them receiving as much as three dollars and a half a day and from that down to a dollar and a half; which was probably the least sum paid to any one male operative;

they all have an interest in the earning capacity of that factory; it is divided once in six months; it is based upon a percentage of the earnings, which is paid pro rata to the employes that have been with us or are with us at the time of the division; it is purely a division; the men understand that the more money the corporation earns the more money they get in addition to their wages; they get the same wages that are paid to other people in the same positions, and they get this bonus, whatever it may be, in addition; last week, at the annual meeting of one of those corporations, I stood before 100 or 150 men, and when I say to you that some of those men are receiving three dollars and fifty cents a day, you will readily understand that they were intelligent, and the bonus was divided among them; and I do not believe that there is another establishment in the country where employer and employe get as near together, not socially, but in interest, man to man, as they do in that establishment; I believe that corporations that can be continued beyond the life of one man or two men, or any set of men, should have as great advantages in conducting business, whether it is commercial, manufacturing or banking, as the same persons who compose an individual firm; I believe it to be very much to the advantage of the State of New York that those laws should be so favorable that such corporations can be formed under those laws here, instead of seeking birthplace in some other State, and therefore the point that I want to make before the committee is, not dealing with the subject of taxation generally, but simply confining my attention, and leaving those other gentlemen to speak upon the subject in its broader sense, to the fact that corporations which are in a sense co-operative should be attracted rather than repelled, and that to do this the laws of the State of New York should be as favorable as the laws of sister States, and that corporations having no larger amount of assets should not be taxed simply because they are corporations, when if they were individual firms they would largely escape the taxation which is levied upon them as corporations; I thank you, gentlemen, very much for the kind attention which you have given to what I have had to say.

G. Waldo Smith, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. What is your residence? A. New York city.

Q. And your business? A. My business is a wholesale grocer.

Q. How long have you been a resident of New York? A. A little over forty years in business.

Q. That period in business? A. Yes, sir.

Q. You are also a member and officer of the board of trade and transportation? A. I am a member.

Q. What office do you hold in connection with that board? A. I am one of the board of directors.

Q. You are also a member of the wholesale grocers' association? A. I am president of the wholesale grocers' association; that includes all the wholesale grocers in this State and four New England States.

Q. You are also a member of the State board? A. Yes, sir; I am chairman of the executive committee of the New York State Board of Trade; I am a member of the chamber of commerce; I have a resolution from them, but I do not represent them officially.

Q. You appear here officially for the board of trade and transportation? A. Yes, sir; and the wholesale grocers' association and the New York State Board of Trade.

Q. Have you given attention to the question of taxation? A. Somewhat; as to corporations more particularly than anything else; my main thought was in relation to the interest question; Mr. Parsons has gone into the other matter more fully, and I would like to make most of my statements in relation to the interest question.

Q. Will you give your views to the committee on that question? A. My views are embodied very largely in the resolution passed at the last session of the New York State Board of Trade; the following resolution was unanimously passed, I think, by that body; it is as follows:

"Whereas, An effort is being made to reduce the legal rate of interest in the State of New York to five per cent per annum, therefore,

"Resolved, That the passage of a law making five per cent per annum the legal rate of interest in New York State will not benefit any class of our citizens, but will injuriously affect all classes and be most disastrous to those who are obliged to seek loans, and the New York Board of Trade most earnestly but respectfully protests against the passage of such a law for the following reasons:

"The character and quality of an article, together with the demand for it, regulate the price for which it is sold, and in like manner the character and quality of any security regulate the rate at which loans thereon are sold. Unquestioned security to-day readily commands loans at rates ranging from three and a half to five per cent per annum in this State while poorer securities must pay higher rates, competition among members reducing the rate as low as is consistent with the nature of the security; a law fixing the rate of legal interest at five per cent could not compel the loaning of money at that rate, but would make it impossible to affect a loan where the risk was worth more than the legal interest limit. Capital seeking investment involving risk worth more than the legal rate can procure seven and eight per cent elsewhere, and in some States as high as ten per cent and would not, therefore, accept five per cent here for like risk. Existing loans worth six per cent would be called in at maturity and could not be replaced at the proposed legal rate. Thus would follow innumerable foreclosures and general distress among all classes in this State, especially among owners of mortgaged farm lands. The present system of advancing on consignments of goods which enables manufacturers of limited means to carry on extensive business operations, would be seriously disarranged. The lower rate would not be in proportion to the risk involved. The loans made thereafter would be of a much smaller proportion of the value of the goods than at present, and manufacturing operations conducted under this system would be necessarily curtailed."

Now, that is the whole story in that resolution; if I should enlarge upon that for an hour I could not state any more than is in that resolution; my whole experience as quite a large dealer in New York and a member of all the commercial bodies proves conclusively that every statement made there is true; I remember

hearing a good many years ago of a merciful man who wanted to cut his dog's tail off but didn't like to hurt it by doing it all at once, so he arranged to cut off an inch a day, and every day an inch was cut off until the whole job was done, and the dog, he thought, didn't suffer as much; my theory is a very simple one and a very just one and it is simply repeal the usury laws and the establishment of a rate of interest; I introduced a resolution a year or two ago in the board of trade and transportation and to my surprise it was unanimously carried; I brought the same resolution to the State board last year and introduced it there and made an argument which I have in my hand, and to my great surprise it was voted for by every single man present except one; only one man voted against it; many and many came to me afterwards and said they had never given that question any consideration; they supposed it was part of holy writ, and had to be maintained, but when they came to think of it they were ready to vote for the repeal of the usury laws; I will give you gentlemen a copy of my speech; the speech is as follows: "Gentlemen, I fully recognize the fact that in trying to secure the adoption of this resolution I have a difficult task to perform; this law is strongly entrenched in prejudice and sentiment, and it is a well-known fact that these present an obstacle difficult to overcome; I well remember seeing a shipload of negroes leaving the port of Charleston, bound for the wilds of Africa, leaving a country in which two or three generations of servitude had made them fit to enjoy the privileges of American citizenship, and returning to the wild and barbarous country from which they had come, impelled alone by a sentiment; Louisiana was ceded to the United States in 1803, and yet old men in the Creole quarter have told me that neither themselves nor their fathers, nor their grandfathers, nor any of their family had ever crossed Canal street which divides the American from the Creole quarter; a large proportion of the people of Nova Scotia have descended from royalists who fled from this country after the close of the Revoluntary war, and who preferred to seek new homes in that cold and weary land rather than dwell where the stars and stripes could be seen waving over their heads; indeed, the history of the world is filled with instances

of great sacrifices made in order to gratify a sentiment or a prejudice; I will now address myself to the task of trying to remove from your minds the sentiment in which this ancient law finds its only support; a strong prejudice against exacting interest existed in early times, arising from a mistaken view of some enactments of the Mosaic law, and as late as the reign of Edward VI there was a prohibitory act passed for the alleged reason that the 'charging of interest was a vice most odious and detestable, and contrary to the word of God;' the Hon. Andrew D. White, in the Popular Science Monthly, says in relation to the struggle that went on in England with varying fortune, statesmen on one side and theologians on the other; we have seen how under Henry VIII interest was allowed at a fixed rate, and how the development of English Protestantism having at first strengthened the old theological view, there was under Edward VI a temporary successful attempt to forbid usance by law; the Puritans, dwelling on old Testament texts, continued for a considerable time especially hostile to the taking of any interest; Henry Smith, a noted preacher, thundered from the pulpit of St. Clement Danes in London 'against the evasions of Scripture' which permitted men to loan money on interest at all; in answer to the contention that only biting usury was oppressive, Wilson, a noted upholder of the strict theological view in political economy, declared: 'There is a difference in deed between the bite of a dogge and the bite of a flea; and yet, though the flea doth less harm, yet the flea doth bite after his kind, yea, and draweth blood, too; but what a world is this, that men will make sin to be but a flea-bite, when they see God's word directly against them;' the same view found strong upholders among contemporary English Catholics; one of the most eminent of these, Nicholas Sanders, revived very vigorously the use of an old scholastic argument; he insisted that 'man can not sell time,' that time is not a human possession, but something that is given by God alone; he declared, 'time was not of your gift to your neighbor, but of God's gift to you both;' in the Parliament of the period we find strong assertions of the old idea, with constant reference to Scripture and the fathers; in one debate Wilson cited from Ezekiel and other prophets and

attributed to St. Augustine the doctrine that 'to take but a cup of wine is usury and damnable;' Fleetwood recalled the law of King Edward the Confessor, which submitted usurers to the ordeal. Following the thoughts suggested by these quotations, I have carefully examined every text of Scripture in which the words usury or interest occur, and failed to find anything therein that by a fair construction would censure the loaning of money at four per cent, or six per cent or eight per cent, according to the class of security offered; indeed every such allusion has reference to benevolence and aid afforded the poor and needy, and has no bearing on business transactions whatever; Calvin, the famous reformer, was one of the first to expose the error and impolicy of this view, although a series of enactments, known as the usury laws, to some extent perpetuated it by an attempted restriction of the maximum rate to be paid; in England this rate was fixed by Act 21, James I, at eight per cent; during the commonwealth it was reduced to six per cent, and by the Act 12, Anne, c. 16, to five per cent, at which rate it stood till 1839, when the law was repealed; in Scotland any charge for interest was prohibited before the reformation; in 1587 the rate was fixed by law at ten per cent; in 1633 at eight per cent; in 1661 at six per cent, and by the act of Anne, as above noted, at five per cent; it is now admitted that the operation of such laws tended only to raise the real rate of interest by driving men in distress to adopt extravagant methods of raising money — the bonuses thus paid being really and in effect an additon to the nominal interest; I look upon the effort to secure the repeal of the usury laws as a movement wholly and only in the interest of the impecunious and unfortunate borrower, a class to which I have never yet belonged and trust that I never shall; thus it will be seen that I have no axe to grind except to wipe from the statute books a law that disgraces them, and one that has brought great hardship to many unfortunate borrowers in their hour of greatest need; it is very difficult to conceive of anything more absurd than the effort to fix by statute the value of the use of money, and to make one standard of value for this use apply to the various circumstances under which money is loaned; the value of the use of money

depends, first, on the relation of the supply to the demand — a relation that is constantly changing from day to day in all money centers; second, upon the class of collateral offered as security for the loan; while for the past ten years the fluctuations on the price of money have been very great, and there have been many times when borrowers with first-class collateral could not secure funds, even when offering enormous rates of interest, yet there has not been a day in all that time when large sums could not have been secured at five per cent, or less, if the borrower had good rented property to offer as security; the following, from the Commercial and Financial Chronicle, will illustrate the enormous changes in the rates for the use of money from day to day: 'In the year 1890, the rates for call loans several times reached 186 per cent per annum (that is the regular six per cent per annum with a commission of one-half of one per cent day), and on August 21, 1890, that rate was quoted; the next day the rate varied from 143 to three per cent; in the month preceding (July) bankers frequently loaned their balances on call at two per cent, and the highest figure for the month was nine per cent: taking the closing month of the year 1890, we find that on December eighth the quotation for bankers' balances ranges between six and 186 per cent; in September and November the quotations also at times got up to 186 per cent;' I will undertake to say that there is no article known to commerce the value of which is so uncertain and unstable as the value of the use of money; what would be thought if the price of flour should open at six dollars in the morning, reach $186 at noon, and close at four dollars at night; no sensible conservative man would ever invest his capital in an article of such uncertain value; it may be said that these violent fluctuations only occur in Wall street, and do not affect ordinary mercantile business affairs; in answer to this I would say that while all solvent merchants could readily dispose of their paper in December, 1891, at six per cent or less, yet in December, 1890, these merchants found it impossible to realize on it at any price, and in many instances they failed to secure sufficient funds for their imperative needs, even when they had first-class collateral to offer, and were willing to pay a

very high rate of interest; it appears to me that to say that an article, which from the very nature of the case can have no fixed value, should always be dealt in at a certain price, is the extreme height of absurdity and stupidity; I have no doubt but that those who voted for the enactment of the law supposed that they did so in the interest of the poorer classes of borrowers, who had not first-class collateral to offer for their loans; if, however, we are to accept as a law in this State a decision of the Court of Appeals, by Chief Justice Follett, in the case of Perkins against Smith et al., a private banker, as a person whose business it is to loan money, can do so at any rate of interest he chooses and escape the penalties of the law, while the citizen who does it but once, and not as a business, must lose his loan, thus imposing penalties on the poor man, while the rich man, or professional lender, goes free, making one law for the rich and another law for the poor; but the borrower is always the servant of the lender, and the effect of the usury laws has invariably been to make the chains of servitude more galling and oppressive to the borrower, and to place him more completely in the hands of his master, the lender, than he otherwise would have been; for instance, if A owns a piece of property worth $100,000, he can go to any savings bank and procure a loan of $40,000 at four and a half per cent; he would probably have but little difficulty in procuring a second loan at six per cent, thus leaving him with a clear equity of $40,000 in the property; if he needed a further sum of $10,000, and if the usury laws did not stand in the way, he could easily find some one who would loan him the money at, say seven or eight per cent, and thus in a fair and open manner he could procure the money to carry through his enterprise; but here comes in the ruinous work of this absurd law which he is compelled by his necessities to break or evade; he makes out another mortgage to a third party for $12,000 at six per cent, and the lender gives him a check of $10,000 for it, he thus paying a higher rate of interest and paying it all in advance; this is no fancy sketch, as I have known a great many similar transactions; this is only one of the various forms by which the borrower is not only compelled to pay a high rate of interest

but to pay it all in advance; whatever form it takes the lender not only must be paid for the high rate of interest exacted, but must be paid also for the risk he runs in violating the law; I quote from the International Encyclopaedia: 'Interest is founded upon the general principle that capital is the fruit of labor, and that its possessor is, therefore, entitled to compensation for its use.' A general denial of this, by destroying one of the most powerful motives to industry, enterprise, frugality and foresight, would without doubt, hinder the advancement of the human race in knowledge and virtue, if, indeed, it did not give it a direct impetus towards barbarism; it is the belief of the most intelligent political economists of the present day that much of the legislation on this subject, intended as it has been to protect the poor from the rapacity of the rich, has, nevertheless, been, in reality, a mistaken and injurious kindness, an attempt to regulate by law that which might better be left to the discretion of the parties directly concerned; the interests of capital and labor are not conflicting but identical, and any legislation resting upon a contrary assumption is known to be injurious alike to both; the opprobrium cast in the name of Christianity on the money lender in the olden times originated unquestionably in motives of benevolence; but it is now seen to have been founded in ignorance of the laws of political economy; the money lender may indeed abuse his power to the injury of the borrower, as the borrower may sometimes deceive the lender, but this is only the abuse of a thing not bad in itself; it was the growth of commercial enterprise under the influence of the reformation that first effectually undermined the ancient doctrine upon this subject: and the economist of the school of Locke, Hume, Adam Smith and Bentham did much to set the truth in a clear light; more and more the legislation of the world, in respect to this subject, is advancing toward an unreserved recognition of the principle that the rights of capital and labor rest upon one and the same foundation, and that the money lender is not any more than the money borrower necessarily a wrongdoer; in England, as long ago as 1854, all laws intended to prevent the taking of a higher than a legal rate of interest were repealed, borrowers and lenders being left free to make such agreements as might be mutually satisfactory, and it is a well known fact that

since the repeal lower rates of interest have prevailed in England than anywhere else on the globe; of our own States, Maine, Massachusetts, Rhode Island, Connecticut, Colorado, Florida, Montana, Nevada, California, Arizona, Washington and Utah, have no usury laws, and I am assured that in the four New England States mentioned the prevailing rate of interest is lower than in any other part of the Union; there are twenty-five States where the usury laws provide only for forfeiture of excess of interest, and the remaining States have laws somewhat similar to those of New York which work a forfeiture of both principal and interest, and in some States even imprisonment of the usurious lender; of course if this ancient law, which is being constantly and necessarily evaded and broken, is repealed, then there must be a fixed and definite rate of interest that shall be known as the legal rate and that shall be binding upon all parties in the absence of a special contract; this rate should be neither high enough to oppress the borrower nor low enough to work hardship to the lender; there are vast sums of money owing and always at interest where from the very nature of the case, no agreement can be made between the borrower and the lender; some of these are found in past due accounts, estates in the hand of an executor or administrator, assets of a debtor in the hands of an assignee, a referee or trustee, advances on consignments, and cases pending in courts where vast sums remain unpaid for a long series of years; these are in all in effect forced loans where the interest is not payable semi-annually, and where the lender is compelled to await the slow and tedious process by which he seeks to obtain his own; it would be a great hardship for him to be forced to accept less than a fair and reasonable rate of interest; take the last few years as a basis, with times of great abundance of money, and times of great scarcity; I will venture to say that, outside of money loaned on first mortgages and on call loans, nineteen-twentieths of all the loans have been made at six per cent, and at this rate has been perfectly satisfactory to both borrower and lender; I am convinced that a lower legal rate would work great hardship to those who are compelled to loan their money

without their consent, sometimes for long periods of years; I am well satisfied that if this Legislature will repeal the absurd usury laws, and will establish the legal rate of interest at six per cent, in the absence of an agreement, it will confer a great benefit upon the people of the State."

I move the adoption of the resolution.

The resolution was adopted with but one dissenting vote.

In 1854 England repealed her usury laws. At one time it was thought that to loan money at interest was contrary to the teachings of the holy scriptures; I say that I have carefully and reverently searched the holy scriptures with the best concordance I could find, and have been a teacher in a Sunday school for forty years, and I can find nothing in any way bearing on loaning money; it all has reference to benevolence; all the mention of usury in the holy scriptures has relation to benevolence, and nothing to do with business transactions of modern times, and can not be construed to have any reference to it whatever, and the best minds in the country have come to that conclusion, although 200 years ago there could be no more heinous offense in the minds of biblical scholars than loaning money at all; I have got many of the best authorities on the subject; in one day in New York, according to the Financial Chronicle, money was loaned at four per cent at 10 o'clock, 186 per cent at 12 o'clock and six per cent at 4 o'clock; would any sane man invest his money in an article that fluctuated as much as that; and all that time a man could go in an open market and get money on first class collateral at five per cent, or from a savings bank on mortgage at four and a half any time that day; for any man for a moment to think that money should always be loaned at one rate of interest is absurd; I know a woman that was left $4,000, all she had when her husband died, which she loaned to some person at seven per cent; she did not know anything about this usury law; she loaned it at seven per cent on the face of the instrument; he took advantage of it and she lost it all; the simple solution of this interest question is right here; draw a paper so as to say: "Section 1 of title 3 is hereby amended so as to read as follows: Where

there is no agreement for a different rate of interest, interest on money shall be at the rate of six per cent; it shall be lawful to pay a higher rate, but no greater rate than that above mentioned unless the agreement to pay such greater rate is in writing; all acts or parts of acts inconsistent with the provisions of this act are hereby repealed;" simply pass a little act like that and the whole question is settled forever; sixteen States in the United States have repealed those laws, some as long as thirty years ago, and Rhode Island was the first to do it; money is as free as any merchandise, and I am told by brokers that the city of Providence is the cheapest money town in the United States; we all know that England repealed her usury laws in 1854, and her money markets have always been the cheapest; I was not aware that Rhode Island was the cheapest until a little while ago; a gentleman stated to me that the city of Providence has cheaper rates than any other city in the United States; I wish you would read this; I have no personal interest in it; I can borrow money to-day at much less than the interest quoted, right in Wall street, for any amount; I never paid a usurious rate of interest; I am a considerable borrower, not lender; I never made a dollar in my life of anybody; it is entirely in the interest of the unfortunate and impecunious borrower, who has got poor collateral or poor credit; it works untold mischief and injury to the unfortunate borrower; upon this corporation law I should like to say a few words; I have an extract from a paper in my hand which says: "The organization of a somewhat novel corporation was completed last evening in Jersey City, by Dill, Chandler & Seymour, lawyers, of No. 31 Nassau street, this city. It will be known as the Corporation Trust Company of New Jersey, and it has a capital of $100,000, which will soon be increased to $1,000,000. Its present offices will be at the corner of Greene and Grand streets, Jersey City.

"The object of the new corporation is to some extent apparent by its name; it will in effect be the trustee of corporations organized under the laws of New Jersey, but really doing business outside of that State, its organization having been brought about on account of the existence of great numbers of such corporations; the new company will act as the local agent for, and, to a cer-

tain extent, as a trustee of trusts, furnishing an office for all such corporations and acting as register and guarantee of their stock debenture, and doing a general trust company's business; the new directors of the Corporation Trust Company of New Jersey are: Gov. Leon Abbett; Charles Kelsey, Secretary of State; Allan McDermott, chairman of the Democratic state committee; Henry S. White, United States District Attorney; John McAnerney, president of the Seventh National Bank of this city; James B. Dill, Charles King, Vincent H. Lamarche of Brooklyn and T. N. Jordan, comptroller of the Equitable Life Assurance Society; the president of the company is Mr. McDermott, the vice-president is Mr. White, the treasurer is Mr. McAnerney, and the secretary is Mr. Lamarche; besides the directors there are six other men of almost equal prominence politically who are stockholders, but their names will not be made public for the present; in order to provide offices for companies the new corporation, pending the erection of a building for its own especial use, has hired the premises at the corner of Greene and Grand streets, Jersey City, and fitted up offices with all the necessary conveniences; such corporations organized under the laws of the State of New Jersey, and doing business out of the State, will thus be able to comply with the law of that State, which requires all such corporations to have an office, and to have a person in charge of it during the business hours of the day; in this building, facilities are offered to corporations to hold their meetings, elections, etc., and to transact all their business which the law requires them to transact within the State of New Jersey; there are deposit vaults in the building in which each company can have a separate safe to keep its documents; the corporation, by its charter, has power to act as agent for non-resident corporations, and to be designated as the person upon whom the service of papers within the State of New Jersey shall be made; it is expected that the new company will also do an extensive business in guaranteeing the regularity and legality of the issue of stocks, mortgages and bonds of New Jersey corporations, and will stand in the same relation to these securities as the various title guarantee companies do to the purchasers

of real estate; the courts of several States, including the State of New York, have decided that New Jersey corporations which do not strictly comply with the law that requires them to have an office and an agent in New Jersey continuously are not shielded by their charter, and that the stockholders and officers of such companies are copartners, and liable for the debts thereof; the extent of the field open to the new company is also shown by the figures published some months ago in the Evening Post in relation to the great number of corporations which are organized under the laws of New Jersey, but which really do their business in this city; in two years alone, for which the statistics were obtained, 1,626 such companies, with a capital stock of $600,000,000 were organized under the laws of New Jersey; in explaining the object and purposes of the new corporation organized yesterday, one of the directors, alluding to the decision of the courts above referred to, said: "This corporation will enable those corporations to meet that criticism in two ways; in the first place, in the very strictest sense, it will enable such companies to comply with the laws of the State of New Jersey, as to having a local office, and in the second place, it will financially guarantee the legality and non-liability of the stock; the company proposes to take such a stand that their guarantee of the legality and non-liability of the stock and debentures shall be as necessary to parties seeking to borrow money on such collateral as is the certificate of a title guarantee company as to the title to a piece of real estate, in case a borrower wants to realize upon it; there is likely to be some legislation in New Jersey the coming winter more strictly enforcing the rule that corporations must maintain continuously an office in the State of New Jersey and have as well a person designated upon whom service of papers can be made within the State; all companies such as those referred to will therefore, undoubtedly, find it to their advantage to rent offices in the building of our company and take advantage of all the facilities afforded by it; the most profitable part of the business of our company, however, will probably be in guaranteeing the stocks of these foreign corporations, rather than in renting offices to them and providing them with a legal representative upon whom

papers may be served, so that they may keep within the law of the State and the terms of their charters."

The New York counsel to the new company are Dill, Chandler and Seymour, and Mr. White will be its counsel in New Jersey.

Q. Those corporations organized there do business in this State; they have their money here? A. Yes, sir; they are taxed here, and some of them are mighty sorry they ever organized.

Q. They pay taxes over there? A. Yes, sir; and they pay them here — in both places; now, here is another little paragraph I cut out of a paper: "Reginald P. Rowe was yesterday appointed receiver of the National Lead and Oil Company by Judge Landon, in the Supreme Court, Brooklyn. The appointment was made at the request of Elihu Root, who appeared for the board of directors, in a petition for a voluntary dissolution. This petition was signed by Reginald P. Rowe, vice-president, W. P. Thompson, B. C. Webster, J. G. Steenken and John L. Steen. It was stated that the corporation was entirely solvent, but that the stockholders desired to organize under the laws of New Jersey." I am not very familiar with that company, but it shows that our corporations are being driven away; I am at the head of a concern where I have a partner of about my own age; we are no longer young; we wont remain on the stage of life a great while longer, but I hope to live quite a while yet; I have had a pretty good time for sixty years, but we can not reasonably expect to live a great while; we have sons in business; I thought of incorporating; I went to the head of a corporation that was formed under the laws of New Jersey three years ago and stated our position; he says: "You have got a pretty good right to live five or ten years yet; I will give you the advantage of my experience; keep on as you are; it is altogether probable that the merchants will induce our Legislature to adopt liberal measures towards corporations, and the time will come when you can organize as you should be organized;" I made up my mind that I would take his advice, and having had experience in the red tape, and cost and expense and bother, and I said: "I will have a chance of living five or ten years, and will hope the Legislature will give us more favorable laws:" I have been studying the question of taxation from the

books; I have read several books lately, and I have come to this conclusion, that there is but one thing to be taxed, and that is real estate; when you tax real estate you tax everything else, and that is all there is about it, and you can not reach anything else; all the statistics of all the States and their efforts to reach property prove it, and when a little child goes into a candy store and buys a penny's worth of candy, he helps to pay the tax, and when a millionaire buys a $2,000 carriage, he pays a tax exactly in the same proportion to his wealth; when the lodger in a ten-cent lodging place comes and pays ten cents, he helps to pay the tax, and when a man pays twenty-five dollars for a suite of rooms in a hotel, he pays a tax.

Q. Then you really believe that personal taxation drives capital out of the State? A. There were 1,600 corporations driven out here in two years.

By Mr. Malby.

Q. Do you think it would keep them in if foreign corporations were taxed? A. I would not tax any corporations; I would simply tax real estate; I might have a small tax for incorporation that would not be objectionable.

Q. They have that in New Jersey? A. Yes, sir; and I think a small tax for organization would bring those 1,600 companies back, and would return more income than would the personal tax returns now; this is the Empire State; all that makes it the Empire State is our great harbor, our Hudson river, and the canal; nothing else on earth makes it the Empire State; New York city to-day pays over 1,000,000 towards the support of the schools; it could not pay a cent of it if it was not a great commercial port.

Q. What is your idea of the inheritance tax? A. I think, if they are very large, it would be a good thing; it seems to me that ten or twenty millions is enough for anybody; but it don't seem to me that when a man dies and leaves ten or twenty, or even $100,000, with a large family that are expensive, that the tax gatherer should gather it in; he is the bread winner, and he is gone; on large estates of 1,000,000 and up, I say it is all right enough,

because it don't make much difference whether a man is worth 1,000,000 or 10,000,000: there is no difference: but those small estates, I think it is an act of cruelty; with collateral relations it might be different, but my own children — what I have been able to save for them; I think it is a cruel act, because there will not be enough to take care of them in the way they have been accustomed to live; it depends upon how much I leave about that, or how long I live and how successful I might be.

William H. Parsons recalled:

By Mr. Ainsworth.

Q. You stated that stockholders under our laws were liable for the entire indebtedness, regardless of the amount of stock; that would be true if you conducted your business as partners? A. Yes, sir.

Q. Why do you urge the change when you do the same business by the same men under the form of a corporation? A. Like my friend, Mr. Smith, I am not as young as I once was; I want to leave my capital in my business; I want to perpetuate that business, but if I have a private estate outside of my business, I do not want to make that necessarily responsible.

Q. But if you had conducted that business as partners you would have made that responsible? A. I would have probably gone out of business.

Q. You get a greater advantage than you would doing business as partners; is it not equitable that you should pay the State something for that advantage? A. I am perfectly willing to pay the State, and I think it is perfectly equitable that the State should be paid on the same basis I would have paid if I had continued the individual firm.

Q. But you get greater advantage, don't you? A. Personally I do not.

Q. Then there is no object to incorporate? A. Perhaps those that succeed me may get the advantage.

Q. You do it because you think there is an exemption of your private estate from the liability which you incur as a corporation; now, if the State gives you that advantage, which you would not

possess as a private individual, is it equitable for the State to tax you for that which it gives you? A. If I had not had in mind ten years ago the idea that at a period in my life I would put my business in a corporation it would not be one-fourth its magnitude to-day; I should have ten years ago commenced to curtail my business, rather than commence largely to increase it.

G. Waldo Smith, recalled:

The witness.— In order that a solvent concern should be willing to pay the State for exemption from liability, would infer that a man has not much confidence in his business, and it seems to me that would not be a proper motive, and the State should not exact remuneration for that.

Q. I was not questioning the motive? A. It seems to me a very improper motive for the State to exact money for; this gentleman I spoke of took a paper out of his pocket and says: "Here, until I formed this corporation, myself and partner paid a personal tax on $15,000; now I am assessed at a million dollars; it is now $19,000 whereas the tax before was $600; I have offered to pay on half a million as a compromise; don't you form any corporation this year until after the Legislature meets;" I have a resolution passed by the New York State board of trade when twenty-eight bodies from the interior cities of the State were represented; it is very short and I will read it:

"Whereas, The present laws of New York State governing the formation of business corporations are so extensive, technical and onerous, when compared with those of adjoining States, as to drive our citizens to those States to transact their business, with a consequent loss of revenue to this State; and

"Whereas, During 1890 over 500,000,000 was forced out of New York and reorganized in New Jersey and other States by the unjust laws of this State; therefore,

"Resolved, That the Legislature be requested to correct the present unjust statutes governing the formation of business corporations, in order that the laws of a great commercial State like New York should offer, at least, as favorable opportunities for the co-operative employment of capital as those our sister States offer, and we commend this subject to the consideration of our public

authorities and the Legislature with a view to their modification."

I have a resolution offered by the chamber of commerce, of which I am a member; it is as follows; it was adopted January 7, 1892:

"Whereas, The present laws of New York State governing the formation of business corporations are so extensive, technical and onerous, when compared with those of adjoining States, as to drive our citizens to those States to transact their business, with a consequent loss of revenue to this State;

Resolved, That the laws of a great commercial State like New York should offer at least as favorable opportunities for the co-operative employment of capital as those our sister States offer, and we commend this subject to the consideration of our public authorities and the Legislature with a view to their modification.

Resolved, That the co-operation of other commercial bodies and particularly that of the New York State board of trade, is hereby solicited to accomplish this desired end."

Our secretary sent a copy of that to Mr. Farquhar.

W. H. Arnoux, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You are a resident of the city of New York? A. Yes, sir.

Q. A practicing lawyer? A. Yes, sir; and have been for forty years.

Q. Also a member of the New York board of trade and transportation? A. Yes, sir.

Q. And attending here as a member of the committee sent to appear before this committee? A. I was requested to come by the other members; I was not originally appointed with that view.

Q. In your practice you have had considerable opportunity of examining the present tax laws? A. I have.

Q. Their enforcement and the various criticisms made upon them? A. Yes, sir.

Q. Your firm is also very largely interested in the loaning of money on mortgage? A. Very largely.

Q. About what amount annually, would you say? A. There have been passing through our hands very nearly a million dollars a month; I think about $10,000,000 a year, and we have to examine titles for the loaning of money, on sometimes as high as $2,000,000 a month.

Q. What have you to say as to the propriety of modifying the present laws relating to taxation, assessment and interest as they affect the agricultural, manufacturing, commercial, laboring, banking and other interests of the State? A. In my judgment, from my experience in my profession and intercourse with business men, I think, that the taxation of personal property in the hands of individuals, is unjust, oppressive and tends to defeat the object for which it is intended; I think it should be the duty of every Legislature to seek to make the laws just, equal and enforceable; in this State the taxes on personal property have never been collected in a way to do justice to the community, and in my judgment, the law should be abolished; contrary to the opinions of some of the others who have spoken to you, I think that the Legislature has adopted the wisest course that could be suggested in its taxes on corporate franchise and its taxes on collateral inheritance, for those taxes can always be collected; in my judgment, looking at it as a matter of business experience, I think an error is committed in the State in making the tax too large on corporations; we are constantly incorporating, gentlemen, in various forms of enterprise, and, I think, in the last three years there has never been one that had a choice of incorporation that did not incorporate in another State than the State of New York; West Virginia, I believe, is the most favorable, because West Virginia, while it imposes a tax for incorporation, which is much lower than the State of New York, permits the holding of the annual meeting and the meeting of the board of directors outside of the State of West Virginia; New Jersey requires that the annual meeting of the stockholders shall be held in the State of New Jersey, and consequently, the annual meetings are held generally at Taylor's hotel, Jersey City; by this means New Jersey

collects a revenue of considerable amount from business conducted wholly and entirely in the State of New York, and New York loses it; what is the best course to pursue; the tax itself is a wise one in my opinion; the same is true in regard to the collateral inheritance tax, and I think it was wisely extended to make it a succession tax; the amount is not large — one per cent as the law stands, and if that law could be recast — because in its present form it has been condemned by the Court of Appeals as a very intricate and hardly comprehendable law, but they have laid down rules for the assessors and the surrogates; there is a tax which, in my judgment, is a model one; no one can escape it; it is provided that every executor is personally liable for that tax, and therefore if he permits an estate to escape he himself becomes personally liable, and as long as the property is in the State it is subject to the tax and is enforced and collected.

By Mr. Coggeshall.

Q. What do you think that to the direct inheritance tax? A. That it is a fair and just tax; I think that for the protection that the State gives every man's property and every man's family, it has a right to say it shall be paid; I had an occasion to argue the question in the Court of Appeals in the Prime case, a case which has just been decided; I find that tax first imposed in Rome by Augustus, and Gibbon in his history of Rome called England's attention to it, and in the latter part of the last century, Lord North, then the prime minister, brought in a bill under which that tax had been collected in some form to the present day; it is known as the succession tax, I think, in England; they tax as we do to-day, the collateral as well as the direct; the third tax, I think, is an excise tax in some form; I think that is a just tax; I think in those three forms the State of New York should collect all of the personal taxes which it expects to collect; I had occasion nine years ago to make a study into this matter, and I then found by research that the personal taxes in New York amounted to $197,000,000; in Brooklyn to $13,000,000; in Buffalo to $10,000,000, making a total of $221,000,000, and in the rest of the State $93,000,000, and by the previous census of 1880 the capital of the

State of New York alone amounted in value to $108,000,000 more than the entire personal property as taxed in the county outside of the three that I have mentioned, and in that investigation I made this discovery; in one county, I think it was, or perhaps it may have been one township — one district, whatever it was — there were two individuals only who were taxed for personal property and one was a widow and the other was an executor; in another county in the State I found that by the census of 1880 the poultry in the county was worth more than all the assessed personal property; now, when a law is enforced like that it is wise to abolish it; I am a believer in a single tax; that is, with the exception of those three where you get personal property that there is no escape from, and where it is uniform, universal and equitable; for all the rest I believe that you should tax real estate, because it comes from the consumer eventually exactly as does the tariff of the United States; the merchant who imports the goods don't pay it out of his pocket; it is the consumer who pays the tax, and so it is in regard to all real estate taxes.

By the Chairman.

Q. You are quite satisfied that the foreigner does not pay the tax; it has been asserted that the foreigner pays the tax? A. There are certain taxes that the foreigner certainly does share; I am looking at it as a home question; whatever tax is paid is eventually paid by labor, and it comes to that in every instance, and must eventually reach it, and if you tax the real property nobody escapes; everybody pays his just proportion of the tax, and that I think ought to be the real question for the Legislature to investigate — how they can impose the tax so that it shall bear equally, universally and justly upon all citizens, and not put the burden upon one and another escape; now in regard to the personal tax; there is another consideration; in the State of New York figures show that for the last three years on the average it has cost seven and a half per cent to collect the personal tax; in one of the years it cost ten per cent, and I think that does not represent the entire cost of its collection; the real estate tax in the aggregate, of course, costs more, but when you come to

distribute it, I think, you will find that it is much less, and when you abolish all the machinery of personal taxation in the State, and deliver the State from so many tax gatherers, the savings of the State would make another item which would amount to a great deal.

By Mr. Coggeshall.

Q. Would the effect of levying the taxes upon the real estate alone, except in those three instances that you have mentioned, be to increase or decrease the tax upon real estate? A. Perhaps in the beginning it might increase it a little, but the benefit to the real estate would be, I think, much larger than the cost would be; in this way, if it were known to the world at large that a man could bring any amount of personal property into this State, money, bonds, or any other form, was absolutely free from tax. it would increase loanable funds of the State to such an extent that the diminution of interest would far more than equal the amount of tax that would be added.

By Mr. Ainsworth.

Q. How would that affect the farmer; he could not raise an added bushel of wheat or potatoes? A. I think the amount he would pay would be a very trifling addition; but, of course, if a man owns nothing except real estate and has no debts whatever and no desire to borrow any money, it might add to his burden; of course, it must in some respects or in some direction add a burden to some; you can not get an increased tax in one direction without imposing an additional amount on some; I am speaking, of course, of the general community; the community at large, in my judgment, who pay taxes, would pay less money in the course of a year in paying all the tax upon real property.

By Mr. Coggeshall.

Q. How much is the aggregate amount, or about, of taxes paid upon personal property, aside from those three that you speak of; that is, the excise, inheritance law and the corporation tax? A. I have never been able to get at the figures; I suggest that the committee might wisely endeavor to ascertain what was the

total amount and what was the total cost of its collection; your committee has the power to ascertain that; a private individual would find it very difficult to go through sixty times and do it.

Q. As to trust companies, so called; that is, companies organized by special act doing business as trust companies; do they pay taxes or not? A. I am not positive about that; my recollection is that the trust companies do not pay taxes; I know that is the case in regard to the savings banks; for instance, the amount that a savings bank will take without the reduction of their interest, it is cheaper for a man to put a thousand dollars in a savings bank and take four per cent than it would be for him to invest that amount in bond and mortgage and pay taxes, which he would have to pay.

Q. Most of the bonds and mortgages escape taxation? A. I think they do, because there comes the thing right before everyone's mind; if I, as a private individual, put out $100,000 on bond and mortgage and get four and a half or five per cent, and I am liable to be taxed two per cent on my $100,000, my income is reduced to three per cent or less; if I put that money in the savings bank, they can make the same loans and do not pay a cent.

Q. I spoke of trust companies? A. I think they stand in the same position as savings banks; I am not positive.

Q. They are made largely of individuals who organize themselves as trust companies? A. Yes, sir.

Q. And they do a general business, do they not; a good many of them? A. In one respect they do not; in another they do; take the United States Trust Company; they will not receive what they call "open accounts;" that is, account that you can deposit your money and draw it out from day to day, and be credited with interest on your balance; the Union Trust Company will.

Q. They loan a good deal? A. Certainly they do.

Q. And they do a general banking business except that they do not receive deposits? A. They do not receive them to be checked against the way a bank does.

Q. They pay no taxes? A. I think not.

By Mr. Ahearn.

Q. There is no reason in the world why they should not? A. I think it would be most unfortunate to impose a tax upon them, because it would immediately drive millions — I think it would be safe to says hundreds of millions of capital out of the State; if the trust companies had to pay taxes upon their loanable funds as a private individual those funds would not be deposited with them.

Q. One of the differences between a trust company and a bank is that the trust company pays interest on the deposit? A. That is one of the main differences, and that grows out of the fact that they have a certainty that the funds are going to remain a certain time, and therefore they can pay interest where the banks can not.

Q. Is that in your judgment the principle upon which they are exempted from taxation? A. I think so; an account against which you check from day to day is technically known as an active account, and such accounts, as far as I am aware, the Union Trust Company is the only one that takes.

By Mr. Coggeshall.

Q. You spoke of the corporation tax being reduced; have you any suggestion to make to the committee as to how much and in what way it would be proper to modify them? A. I could not offhand say that, although I have had occasion to look into the law in New Jersey to see how much they paid, but I have forgotten what it is; it is so much less than the State of New York as to make it advisable to 1,600 corporations to organize there and pay their taxes there.

By the Chairman.

Q. What would you say to so amending the law that a foreign corporation would be subject to the same payment upon filing its certificate in this State that a domestic corporation is required to make when they organize? A. It would bring additional revenue to the State of New York for the time being, but I think it would have a tendency to drive it out of New York.

Q. I speak now of foreign corporatinons that do business in the State of New York? A. If you are aware, that is a law in regard to the manufacturing corporations; I have had occasion to act for several recently before the Comptroller to have the taxes adjusted; if you remember under the manufacturing law a corporation which does its manufacturing out of the State of New York is bound to pay its tax upon the amount of business which it does in the State of New York, and upon the amount of its capital here in the State of New York, and a large revenue comes to the State from it.

Q. I refer particularly to those corporations that go to West Virginia and New Jersey and organize and do business wholly in this State, although going to those States to form, for the purpose of escaping the tax on their creation? A. Undoubtedly they do; avowedly they do.

Q. What would you say to the proposition that they pay upon the filing of a certificate in this State a tax equal to what they would pay in this State? A. I think it would have the effect as I state.

By Mr. Coggeshall.

Q. You speak with reference to the collateral inheritance law that it should be recast; what would you suggest with reference to any amendments, if anything? A. I think that if the committee should take the English law, which is admirably expressed, as a guide, they would simplify the thing very much; but the Court of Appeals has made that law pretty certain; we had this question come up as to whether any gift in a foreign benevolent, religious or charitable corporation this State could tax it, and the Court of Appeals has held that under the law they must pay their tax; we represented the Fairweather estate; he distributed several million dollars to colleges, without regard to their geographical location, to the principal institutions throughout the United States, including New York; the Court of Appeals says those inside of New York get theirs without paying their five per cent and those outside had to pay.

By Mr. Guenther.

Q. You said you favored the single tax idea? A. Yes, sir; taxing real estate alone, excepting the three things I spoke of.

Q. What would you do with the improvements? A. I am not an advocate of Henry George sufficiently to say that if a man chooses to get a building worth $1,000,000, and he gets a rental out of that of $250,000, that he should only pay a tax that his next door neighbor pays that only gets an income of $20,000, or has a vacant lot and has no income.

By Mr. Coggeshall.

Q. What do you thnk of the listing system? A. The Massachusetts system?

Q. Yes? A. I have studied that; I will tell you a little fact in regard to it which is this; Senator Vedder asked me this question: "Are you aware that the laws of Massachusetts read as this proposed law does?" I said to him: "I am aware of that, and also aware of the result which perhaps may not be known to you, and which confirms what I have said about the evasions which will be practiced under such a law; the day fixed under that law for assessment is the first day of May, and on that day merchants will have on hand only about one-quarter of his average amount of stock they carry; they sell through the latter part of March and all of April, and on the second day of May — the railroad depots on the first of May are filled with goods, the bills of which arrive on the second, and the goods themselves are removed as early as possible on the morning of that day.

By Mr. Guenther.

Q. Couldn't you reach that by some provision of law? A. The ingenuity of the human mind to escape taxation is far superior to the ingenuity of the Legislature in collecting taxation, and whenever you discover a loophole and fix it up it is only to find that they have another one.

By Mr. Coggeshall.

Q. What have you to say as to the income tax? A. I believe that an income tax that can be fairly collected is a wise tax, but the difficulty about it is abhorrent to the American mind to have to go through an inquisitorial process of disclosing all the income a man gets and where he gets it; I think the experience of those who remember the time of the war when the United States interposed an income tax, will know that it was the most frightful source of perjury ever in the world; there was a man who boarded at the Fifth avenue hotel, and under the provision of the law a man may deduct from the tax the rent of the building that he occupied; that man deducted the rent of the Fifth avenue hotel.

Q. Explain what you mean by an excise law? A. I mean in some form or other a license for the sale of liquor, whether you call it, as in Ohio, a direct tax on liquor itself, or, as the State of New York, imposed upon the permission to deal in the article; it becomes a tax which the State gets the benefit of.

Q. You are in favor of what was known as the Vedder Tax Law some years ago? A. Not necessarily that; I don't care what form it is in; whether from license or any way, the State is going to get the benefit of the revenue from that traffic whether from the article or the business; my idea is to derive as much as would be just; those three sources — you can fix it so that the tax can be justly collected from all; from corporations, from inheritance and from liquors; out of those three I think the State can collect its just proportion of the tax on personal property.

Q. Your objection to personal property is rather as to the defects in the enforcing of the law? A. It is a fact that the State has never been able to collect it so as to bear upon all equally.

Q. There is no question but that personal property pays a larger rate of interest than real estate? A. I think so.

Q. And that if it could be reached it would be a more equitable basis of taxation? A. No, sir; I think real estate is the best form we have, because you can see it; there it is; you can not see a man's personal property; he may take it away; he can not take his real estate with him.

Q. But he can try to dispose of it for the purpose of getting personal property? A. No matter; somebody will get hold of it.

Q. Assuming personal property is to continue to be taxed, what have you to say as to not allowing any deductions for indebtedness; we have had witnesses who have testified that they thought it was better that personal property should be assessed without any deductions for alleged indebtedness? A. Now, would that be fair?

Q. I am asking you? A. I am putting it to you as a thing that carries its own answer; for instance, I own a piece of real estate; I pay the entire tax on that real estate; it is mortgaged at sixty per cent of its value; I am thereby paying the tax for that personal property and I ought to, I think, but if personal property is to be taxed I ought not to pay for personal property independent of that, and not have any benefit, and this man who loans me the money benefits, because it seems to me that a tax law to tax personal property with no deductions for indebtedness would be a law for the rich and against the poor.

Q. What, in your judgment, would be the effect upon the values of real estate, if taxation was confined to that alone? A. It might perhaps before the tax was fairly adjusted affect the price of real estate, but when it became adjusted it would not be noticed.

Q. It would depreciate it, you mean? A. I think it might; I don't know as it would.

Q. It would increase the tax also? A. Yes, sir; that is what I mean; it might depreciate the value of the property temporarily a little, but in less than five years it would adjust itself.

Q. Do you know any State where that law exists? A. I don't remember that there is any.

Q. Or any country? A. I don't remember how the tax law is in England; my recollection is that England does not tax personal property per se; it taxes certain articles like liquors, and then has an income tax and gets its revenue from personal property.

Q. Isn't there a different rule to be applied to agricultural lands than city real estate; would it adjust itself to the altered conditions more rapidly than farming lands? A. Probably it would.

Q. Rents might be increased in the city, while a farm would not produce any more because it was taxed? A. No, sir; it would not enhance the productive capacity.

Q. The man on the farm, the result would be that he would be paying a larger part of the public burden while his income was not increased? A. In my judgment, the amount that would be added would be insignificant; for instance, if the net revenue returns from a piece of property would be less the value would be less; as far as the State tax was concerned there would be a diminution in the assessed value of that property, and there would be therefore less tax.

Q. The great tax is the local tax; if you exempted personal property in that location from taxation you would be placing upon the land all the tax now derived in that locality from personal property, and you would not add by any possibility to his income? A. Can you tell what is the assessed value of the agricultural lands of the State?

Q. No, sir. A. Because as I have it here in 1884 all the interior cities of the State and all the agricultural districts except New York, Brooklyn and Buffalo, the entire personal property is $93,000,000; now, that must be a very small part of the taxable value of the State; I suppose of that $93,000,000 it would be safe to say that Albany, Buffalo, Syracuse, Utica, Binghamton and all the cities of the State would pay two-thirds of it, and that the farm lands themselves probably did not pay on over $30,000,000 on personal property; now, the amount derived on that would be very small.

By Mr. Hamilton.

Q. Would not the results which you say would follow the elimination of the tax on personal property be practically accomplished by the laying of a specific tax, very light, say three-eighths of a mill, such as prevails in Pennsylvania, which would be accepted by the owners of personal property as a fair contribution toward the government of the State and its expenses, and thereby avoid the claim that it was being unjustly taxed, and give no just cause of driving it from the State? A. That of

course would be a matter of experience to determine; if you made it sufficiently small — whatever rate you fixed and made it so that it would be universal, there would be less complaint; but the difficulty that the State labors under is, I think, an endeavor to kill the goose that lays the golden egg; the prosperity of the State of New York is due more than anything else to the fact that personal property is not taxed; there was never anything that was so detrimental to the wealthy and the poor of France as the revocation of the edict of Nantes; it drove out tens of thousands of the best of France into England, Germany and Holland; a law that would tend to drive out the capital of New York would be as disastrous to the true interests of the State as that edict.

Q. What are your views in regard to what is known as the local option bill suggested, by which each locality can determine what shall be taxed and to what extent? A. I think it is an admirable law; if a county tries it and they find it is a benefit, the other counties will be ready to adopt it.

Q. It would have the effect of at once exempting all taxation on personal property, would it not? A. I think it would: I think as soon as they saw how it operated in one county they would immediately want it themselves.

Q. If one county adopted a system of not taxing personal property, would it not of necessity drive other counties to do the same thing whether they thought it prudent or not? A. I think it would; I believe that the sentiment of New York city is so that if the city authorities have the power to exempt personal property they would do it; I think it would immediately show by the result it was so wise, that every other county would adopt it.

By the Chairman.

Q. Considering the amount of personal property assessed within the limits of New York is it not practically untaxed now? A. Very nearly; there is one gentleman owning a costly estate in New York and also a beautiful residence on Fifth avenue, who says, according to the papers — I don't know anything about it personally — that he would submit to personal taxes on $8,000,000, but he said, as soon as they put him any higher than that, he

would make his residence in Newport; now, you and I would be perfectly willing to retire on the balance of the personal property he has got over the $8,000,000.

Q. What have you to say as to the changing of the rate of interest as fixed by law now? A. I don't quite agree with the wise men on that, but still I would rather not complicate the question; in the last two years in all the amount of money that has been loaned to our office, I only know of one instance where the loan was made at six per cent; we have no regard to the rate of interest that the State fixes in making loans on real property; if it is a good piece of property and a sufficient margin; that is, sixty per cent, you could not by any possibility get over five per cent; we are making loans at five and four and a half where they are exceptionally good, and sometimes as low as four; now, without reducing the rate of interest by law it is being reduced by virtue of the amount of capital which is seeking investment.

Q. Are you familiar at all with the conditions in agricultural districts as to loans? A. No, sir; because capital is so timid that any that we have to do with we can not get anybody to look at a piece of property if he has got to cross the Harlem river or East river; every man wants to be able to go and see it; the capitalists in Brooklyn make their loans there and the capitalists in New York make their loans in New York, and I suppose it applies to the country as well.

Q. Assume that the farmer uniformly has to pay six per cent for a loan, what would you then say as to the wisdom of reducing it from six to five? A. I think a good deal of what Mr. Smith says of the ingenuity of the human mind and especially of the capitalist to get his income; I think they would find some way or other to evade the law; I mean the great bulk of the money that is loaned.

By Mr. Ainsworth.

Q. The great bulk in agricultural communities is loaned from money centers? A. Yes, sir.

Q. Now, would a State law, reducing the rate of interest, in your judgment, benefit that class of loans? A. The only thing

to do is this; if you give with one hand and take with the other, perhaps you would equalize the thing pretty well; I think capital would make no complaint if the law was made as Mr. Smith has suggested; if you say we will exempt all personal property from tax, and on the other hand when there is no agreement in regard to the rate of interest as he suggests; I think that capital would not be half so reluctant as it is to-day.

Q. If you had a client who had $50,000 to loan and somebody wanted to borrow it on a farm in New York State at five per cent, and you could loan it in New York at four and a half, where would the money be probably loaned? A. So far as it would pass through our office, in the city of New York.

Mr. Parsons.— It seems to me that if you reduce the legal rate of interest to five per cent, the result will be that the loans which are now existing upon the farms which are made from the money centers will be called in.

The Witness.— I suppose that this question of six per cent is a question that does not amount to anything practically to those people who borrow on bond and mortgage. So far as the savings banks and life insurance companies are concerned, you might as well have a law of the State that is should be seventy-five per cent.

By the Chairman.

Q. What have you to say about doing away with the fixed rate altogether? A. What has been the result in regard to the amendment to the law which you made a few years ago, in which you provide that call loans can be made at any rate of interest that they pleased? Hasn't that been shown to be of great advantage, and hasn't it always been shown that the rate of interest has declined in Wall street under the operation of that law? When a man was in a tight place and wanted to borrow money, he had to pay one-half per cent a day and commission; in the panic it went up to a higher rate and went down again; that abolition of the usury law has proved to be of the greatest benefit to the borrower and not to the capitalist; see the business with the banks; we all know in New York that in ordinary

times in the last five years the banks have not been able to get all the discounts there were from the customers and have to go out and buy it.

Q. But the borrowers in the country have to pay six per cent at the banks — the farmers and country merchants; it is from that class of people very largely, I think, that the demand for the reduction in the rate of interest comes? A. You see in connection with that they can make what arrangements they please; if capital will flow in, the rate will go down just as it did in Wall street; last week I recovered a verdict in a litigation which has been pending since 1876; we could not tell how much the jury would find we were entitled to, and therefore instead of saying the interest on such a sum would be so much, I put a clerk on the stand and had him make a computation of the percentage, and it was exactly 100 per cent, and the jury came in and said: "We find for the plaintiff $10,500 and 100 per cent interest;" now, that was from 1876 to 1880, at the rate of seven per cent, and 1880 to 1893 at the rate of six per cent, and of course if we had just so much money we could have been collecting our interest and compounding it, and it made it less than five per cent would have been.

John G. H. Myers, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you reside? A. In New York city.

Q. What is your business? A. A practicing lawyer.

Q. Your present occupation is what? A. Attorney for the receiver of taxes of the city of New York.

Q. What suggestions have you to make to the committee in regard to the existing laws affecting the collection or levying of taxes? A. First, I would like to make a suggestion with reference to the remedy under the law; at present there are two remedies afforded to the tax department for the enforcement and collection of personal taxes; one is by a summary proceeding to punish the debtor for the non-payment of his taxes, which results in committing him to the county jail; the other is the

remedy of action to recover the amount by an ordinary common-law action; the severer remedy for punishing for contempt, it seems to me, should be abolished; that is the first suggestion I have to make; I find that in my three years in charge of the office that practically imprisonment is very harsh, because it simply reaches the poorer class who happen to be on the tax list; they are frightened into coming to pay because they find that threat over them, and I have known instances where they have gone off and put in pawn personal property in order to raise the money to pay the taxes; I have also had one or two widows come to me, and not knowing what the law was, and having disposed of what was left to them by their husbands, they found themselves in difficulty because they had not gone to the surrogate, and have gone off and in some way by borrowing and what not have obtained money to pay that tax; now, the man who can afford to pay has evaded it by going away, so that we could not serve a paper on him; in the ordinary proceeding of acquiring by a suit within the last year I find that it works much better; those who can afford to pay and ought to pay are reached by judgment and execution; the poorer ones we serve a summons and complaint on, which results in a judgment; it is returned unsatisfied, and an examination under supplementary proceedings shows that they can not pay and never can pay.

Q. And never ought to have been taxed? A. And never ought to have been taxed; I, therefore, make a suggestion to the committee whether it would not be wise to abolish that; a man who wants to hold his position in that office is obliged to follow up that summary proceeding first, because there is a limit of time in which you have to commence it, and the financial office expects, of course, you will to your duty; I have very often found myself very much embarrassed by having people taxed who never ought to have been taxed; the second suggestion I would like to make is this: I find that under this collateral and direct tax law — the inheritance tax — estates very frequently are taxed twice; the husband or whoever it is dies and leaves an estate, probably $10,000, or just a little over $10,000, just so it comes within the

inheritance tax law; he is taxed by the State tax directly, and the executor finds that he is also taxed on that same amount by the local authorities, so that for one year the executor is taxed twice on the same estate, and it does seem to me that this is unjust, and that the law did not intend that; the remedy that I suggest for that if it is practicable, and it strikes me it is, is that at least for one year after the death of the intestate or testator that the executor be exempted from taxation for local purposes, and that things may be equalized, have the State deduct from its tax that it collects from the county the same amount which the State collects direct from the executor or trustee as a direct tax; in that way the county would not lose anything; I have found a number of estates since this collateral and direct inheritance tax laws came into existence that we caught in that way; I would just say here, because the question has been asked once or twice during the evening, what proportion the assessed valuation of personal property in the city of New York bears to the valuation of the property in the city of New York; I can say that for the year 1892, personal property bore the relation of one-sixth to the entire aggregate value of our property in the city of New York, real and personal, and it paid a tax about in the same proportion; that is, personal property paid about one-sixth of the tax.

Q. Have you found any difficulty under the present law from executors where there are more than one to an estate, changing their residence from one place to another — going outside of the State? A. I find that they do not go out of the State; they go into Richmond county or Westchester or Brooklyn and carry the securities and everything with them; we can only tax the resident who swears that his co-executor has the securities in the other place.

Q. Do you think that the property of an estate should be taxed where it is located? A. Where the letters testamentary were issued.

Q. Without regard to the residence of the executor? A. Yes, sir; in that way New York city would benefit largely.

Q. What do you say about taxing the personal property of estates? A. I believe that they should be taxed.

Q. Assuming that the estate is money, and as you have heard here loans are made in New York from four to four and a half per cent, and the tax rate is anywhere from one and eighty-five one hundredths to two, is not that very severe upon the property? A. Yes, sir; it is.

Q. That is the reason I asked you what you say as to the wisdom of taxing personal property of estates? A. I do believe in taxing, but it is one thing to tax and another to overtax.

Q. Have you any idea to suggest to the committee as to taxing estates and yet relieve them to some extent from what I have suggested? A. I do not know that I am prepared intelligently to give an opinion upon that.

Q. Would the levy of a uniform specific tax avoid that hardship, if it is a hardship? A. Perhaps it would; to some extent it would; you are not referring now to the imprisonment?

Q. No; I am referring now to the personal property of estates where the earning capacity is largely destroyed by taxation — not the earning capacity, but the earnings are depleted by reason of taxation, so that the net income is loss. A. If the estate had its money out at four per cent and it had to pay two of a tax; it would be a great hardship to tax it two per cent.

Q. What would you say about this; making the tax on the collateral or direct sufficiently heavy to justify the exemption of the personal property of the estate from taxation for the usual period allowed by law for an accounting — eighteen months? A. Without having had that before, I should say that might meet the difficulty and might be a remedy and relieve the estates; I should be in favor of abolishing the personal tax matter entirely in the city of New York, if it were not for this one thought that enters into it in my opinion, and that is that the tenant rent-paying people of the cities would be the ones that would suffer if the entire personal tax was abolished; I believe it would result in an increase of rents; it is a well-known fact that a very large proportion of the residents of the cities, especially of the city of New York, are not owners of real estate, and those who do own real estate are not going to bear the entire burden of paying the running expenses of the city or State government; if obliged

to pay an increased tax, as they will be if this personal tax is entirely abolished, they will look somewhere else to have somebody pay it, and very naturally would look to their tenants, and it would result, in my opinion, in an increase of rent, and you would hear an outcry from the tenantry of New York and Brooklyn against the abolition of personal taxes; if the other who owned the real estate would be willing to bear the one-sixth per cent additional and pay the taxes, then we might do that.

Q. You say that one-sixth of the total taxation comes from taxation on personal property? A. About one-sixth; we can not get it exactly; it is in the neighborhood of one-sixth; it was last year about one-sixth of the tax.

Q. You say you are in favor of abolishing imprisonment altogether? A. Yes, sir; I am; we have abolished imprisonment for debt in New York, and that is the only remnant left, and it is time we abolished that.

Q. The theory is that if a man is liable to taxation he can be reached by civil process? A. He can be reached if he has got property; if you follow him with supplementary proceedings it will be reached, and if the examination shows he hasn't it to pay, it is not policy to oblige him to pay what he has not got.

By Mr. Malby.

Q. Have you any suggestions to make as to the manner in which the collection of personal taxes can be increased? A. Yes, sir; if the officers in every county would follow those people up who move from one county to another, and do it for the purpose of getting rid of the tax, then they would be obliged to pay it somewhere, and they would not run from the city of New York or Rochester or Brooklyn; I know of one case where a man lived in the Navarro Flats lives in Westchester, worth millions; he has gone there to escape the payment of taxes.

By Mr. Coggeshall.

Q. A great deal of the difficulty is caused by the lax way of administering the law? A. Yes, sir.

The committee then went into executive session, and on motion adjourned to meet in New York, February 10 and 11, 1893, at 11 a. m.

Joint Committee on Taxation,

New York, February 10, 1893.

The committee met pursuant to adjournment.

William J. Rogers, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you live? A. In East Orange, New Jersey.

Q. And you were subpenaed here as an officer of the Condensed Milk Company? A. Yes, sir.

Q. Which has its office where? A. The main office at 71 Hudson street, New York city.

Q. And its corporate title is? A. The New York Condensed Milk Company.

Q. And its capital stock is? A. Three million dollars.

Q. Organized under the laws of New Jersey? A. Of the State of New Jersey.

Q. How long has it been incorporated? A. Since December, 1891.

Q. Prior to December, 1891, was it incorporated under the laws of any other State? A. The laws of the State of New York.

Q. And under what name? A. The same name.

Q. With the same capital stock? A. No, sir; a smaller amount.

Q. At the time of the change from incorporation under the laws of the State of New York to the present incorporation under the laws of the State of New Jersey were there other corporations included in it; that is, was there a trust formed? A. No, sir.

Q. Can you explain to the committee what causes led to the change of incorporation from the State of New York to the State of New Jersey? A. We were about reorganizing, with the intention of increasing our capital stock, and about that time there were very objectionable laws of the State of New York; and the laws of the State of New Jersey, as I understand, were much more favorable to corporations, so we were advised.

Q. Can you specify in what respects the laws of the State of New York presented the objections you refer to? A. One of the reasons, I believe, was that you could organize more readily in the

State of New Jersey, with less delay; that was one, and there was another one that the laws of the State of New York at that time, a recent law, a law passed and went into effect May, 1891, where the reports necessary to be made were very objectionable to a corporation; in other words it simply made public the whole business and put into the hands of our competitors information that was not desirable to let them have; that was one of the most objectionable clauses I think in that law.

Q. Was the subject of taxation also considered objectionable as imposed by the laws of this State? A. No, sir; I don't think there is any objection, so far as I know; allow me to correct that; I understand that there was a little advantage in the franchise, as I understand, but the difference I don't know on a capital stock of $3,000,000; perhaps $3,000 or $4,000 which, of course, is an item.

Q. Prior to 1891 your offices were in the city of New York? A. Yes, sir.

Q. Was there any change made to your incorporation under the laws of New Jersey? A. In the offices or in the officers?

Q. Officers? A. Yes; there was an increased number of directors in order to comply with the New Jersey laws.

Q. Practically, then, in the transaction of your business it was conducted in the same way and in the same place as it had been while you were incorporated under the laws of this State? A. Yes, sir.

Q. What tax, if any, does your company pay to the State of New York? A. We pay the regular real estate tax; we have manufactories throughout the State, several in number and we also pay a personal tax.

Q. What personal tax do you pay? A. I presume that is a local tax; I am not certain about that.

Q. You do not pay any direct tax to the State of New York, do you? A. I do not think we have as yet; we filed the necessary papers, and I do not know exactly what the result is.

Q. Have you applied for, and have you obtained a certificate for leave to do business in this State? A. Yes; we have responded to all the requirements of the laws of the State of New York.

Q. The fact is then that practically doing business under incorporation by the laws of New Jersey which is the same business only increased in capital which was carried on under the laws of the State of New York, yet you are not paying the tax which is paid by the domestic corporations of the State of New York? A. Yes; we are paying the same tax as we always paid.

Q. I say you are not paying the tax which is assessed upon domestic corporations in the State of New York? A. Yes, sir.

Q. The tax upon your capital stock, your dividends? A. We are a manufacturing corporation.

Q. You are purely a manufacturing corporation? A. Purely a manufacturing corporation; I would state as to the laws of the State to-day, they have been changed, as I understand it, though I have not paid much attention to it since we reorganized, but in looking over a copy of the amended law, there is no objection that I can see to-day that existed at the time we reorganized in 1891; it seems that practically the laws of the State of New York to-day are practically the same as the New Jersey laws.

Q. What part of your business is transacted in the State of New Jersey? A. We have a branch office there, both in Jersey City, and also in Newark.

Q. To what extent is your business transacted there? A. Very little.

By the Chairman.

Q. Purely local? A. Not purely local; no, sir; if you mean our goods, our goods are sold all over the United States; in the State of New Jersey we have two offices and stables for the delivery of our goods, the same as we have to Brooklyn.

Q. Do you know the valuation on which you paid taxes in this city? A. I could not tell exactly; no, sir.

Q. Have you an idea? A. I would not like to guess at it; the assessment was made and paid at the time; I simply passed in the papers and the treasurer sent his check.

Q. Where are your factories? A. There are several throughout the State of New York.

Q. Are they all in the State of New York? A. Not all; no, sir; we have two factories in the State of Illinois; I say "we," that is our corporation.

By Mr. Malby.

Q. You say you are a manufacturing corporation; do you pay any tax at the present time in the State of New York on your capital stock? A. We have filed according to the requirements of the State, the necessary report; I do not think we have heard yet from the State authorities.

Q. Isn't that simply a certificate which the law requires shall be filed in order to do business? A. No, sir; not at all; it is a complete statement; I do not know in what form it is.

Q. When you filed the papers that you have filed under the existing laws will you have to pay a tax on your capital stock? A. I am not prepared to answer that; understand me when I say that; I have only done business under this corporation for a little over a year.

Q. Have you paid any tax in the State of New York on your capital stock up to the present time? A. No, sir.

Q. Or on your dividends? A. No, sir.

Q. When you say you are not prepared to state whether you will, under the present filing of your papers, pay a tax you don't know what law is applicable to that subject? A. I do not; we filed our papers under advice of our counsel.

Q. Do you have to pay any tax on your capital stock or dividends in the State of New Jersey? A. No, sir; I presume not.

Q. Were there several corporations doing the same kind of business you were previous to 1891 in the States of New York and New Jersey when you reorganized your company? A. I think likely.

Q. Were they consolidated in this new company? A. Not at all; no, sir.

Q. No consolidation whatever? A. None, whatever.

By the Chairman.

Q. Do you manufacture what is known as Borden's condensed milk? A. Yes, sir; that is our brand.

By Mr. Malby.

Q. Do you remember what your capital stock was in New York? A. Forty thousand dollars.

Q. And now it is $3,000,000? A. Yes, sir.

By Mr. Hamilton.

Q. Upon what amount of personal property do your company pay a tax in the city of New York? A. I have already answered that.

Q. What was your answer? A. That I do not remember the exact amount; I remember we did pay; that it passed through my hands to the treasurer.

Q. What is your best recollection as to the amount? A. I would hardly like to say that; I have no reason for keeping it back, but it would only be a guess.

By Mr. Malby.

Q. You say you pay a personal tax; what does that consist of? A. That is stock on hand; what we are assessed.

Q. It does not have any reference to capital stock? A. No, sir.

By the Chairman.

Q. Is it merchandise and personal effects of the corporation here? A. Yes, sir.

By Mr. Hamilton.

Q. And that is all you referred to as a tax on personal property, a tax on merchandise and stock on hand? A. Yes, sir; that is what I had reference to.

By Mr. Malby.

Q. Can you give us approximately the assessed valuation of your real estate in New York? A. I should say $1,000,000 a year or more; I can give you the exact figures if you desire to have them later on; that is a rough calculation; we have about seven factories in the State of New York.

Q. If you can give us approximately the amount on the personal property? A. I can do that if you would like to have it.

By the Chairman.

Q. You will furnish it to the committee; send it to me, and I will see that the committee get is? A. Yes; I will.

Charles C. Burns, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you live? A. My home is in Rochester, New York; but I am here now.

Q. You mean you reside in New York city now? A. No; my home is in Rochester.

Q. You also have a residence in the city of New York? A. Temporarily; I remain here.

Q. You are treasurer of the National Starch Company? A. Yes.

Q. That is a corporation organized under the laws of the State of Kentucky? A. Kentucky.

Q. With what amount of capital stock? A. Ten million five hundred thousand dollars.

Q. How long has it been organized as a corporation under the laws of Kentucky? A. Since the 1st of May, 1890.

Q. Prior to May 1, 1890, under the laws of what State was it carrying on business or was it incorporated? A. It was not in existence.

Q. At the time it was organized was it made up of different corporations which had before existed? A. No, sir; it was a purchase for cash; an out and out purchase of different properties.

Q. Bought different properties or bought stocks in different corporations? A. No, sir; it was properties; it was corporations in some cases and in other cases it was simply a private partnership.

Q. What properties in the State of New York were included in that corporation? A. The Glen Cove Manufacturing Company and the Niagara Starch Works at Buffalo.

Q. Any others? A. In New York State?

Q. Yes? A. No, sir.

Q. What other States were the corporations in? A. Indiana, Illinois, Iowa, Kansas.

Q. What proportion of the capital stock was the Glen Cove Starch Company made up of; you say your capital stock was $10,000,000; what proportion was made up on the Glen Cove company? A. I don't know that I am entitled to answer such a question as that; that is a private matter.

Q. At what amount was it valued or placed in this aggregation? A. I can not say that.

Q. About what amount? A. I can not say that at all.

Q. At what amount had the Glen Cove company been capitalized while it was conducted as a separate corporation? A. I don't know.

Q. Haven't you any idea? A. No, sir.

Q. Had you been connected with the Glen Cove company? A. No, sir.

Q. At what amount had the Niagara company been capitalized? A. I don't know.

Q. Had you been connected with that company? A. No, sir.

Q. Do you know anything about the previous business of your company whatever? A. What previous business?

Q. As to what amount of capital stock or property was owned by these various corporations? A. No, sir; I am in the employ of the new company, and I do not know anything about the old companies.

Q. Were you employed by any of the old companies? A. No, sir.

Q. Have you received any information as to what the value of those properties were? A. I don't remember.

Q. Did the Glen Cove company go out of existence when your company was formed? A. It did.

Q. Did the Niagara company also go out of existence then? A. Yes, sir.

Q. They ceased to be corporations of the State of New York? A. Yes, sir.

Q. Where is the principal office for the transaction of the business of your company? A. Covington, Kentucky.

Q. What office do you maintain in the city of New York? A. At No. 20 Broadway.

Q. For what purpose is that office used? A. For the transfer of stock and securities of the company principally.

Q. It is also used for the transaction of the general business of your company? A. Yes, sir; the general business of the company, of course, is in Covington; we had an office there.

Q. Is the office in New York used for the general transaction of the business of your company? A. Yes, sir.

Q. Purchase and sales? A. Yes, sir.

Q. How many officers of your company reside in the State of New York? A. I am the only one.

Q. Do you know the reasons which led to its incorporation under the laws of Kentucky? A. No, sir; I was not one of the incorporators.

Q. Does your company own any real estate in the State of New York? A. Yes, sir.

Q. Where is it located? A. Glen Cove and Buffalo.

Q. Does your company pay any taxes upon personal property in the State of New York? A. Yes, sir.

Q. What amount? A. I can not remember that.

Q. Upon what personal property does it pay a tax? A It pays a tax upon the bank account, the merchandise in store and the personal property that we have in New York.

Q. Do you remember the gross amount upon which you are taxed for personal property? A. No, sir; I paid it simply as it was presented to me each time.

Q. About what proportion does it bear to the total capital stock of your company; your capital stock, you say, is $10,000,000? A. Yes, sir; that we pay taxes on that in all States in the Union.

Q. I ask you as to the personal property you are assessed upon in the State of New York, what proportion does that bear to your entire capital stock of $10,000,000? A. I can not say as to that.

Q. Can you give us any idea? A. No; I can not give you any idea at all.

Q. Do you pay any tax whatever on your capital stock through the State of New York directly? A. No, sir.

Q. Or upon any dividends declared by you? A. No, sir.

Q. What is the amount of the annual sales conducted through the office in the city of New York of your company? A. I do not know; I do not have much to do with that part of the business.

Q. Haven't you any idea of the business of your company? A. I have an idea of the business of my company in a general way, but as to that I do not know.

Q. In round numbers what is the amount of business transacted through the office in New York? A. I don't know.

Q. Haven't you any idea? A. No, sir; I have not.

Q. Do you do any business? A. I do not do any business of the company whatever; as I told you I am the secretary and look after that part of it.

Q. What are your duties as secretary? A. The duties are laid down in the by-laws to attend the annual meetings, the meetings of the board of directors, and keep a faithful record of the books and accounts; that is near as I can remember the duties as laid down.

Q. Do you also act as treasurer? A. Yes, sir.

Q. You are the chief disbursing officer of the company? A. Yes, sir.

Q. And yet you can not give us any idea of the amount of receipts of your business or the business done through the office in New York? A. I can not give you anything as to the factories, wherever they may be.

Q. I am not asking through the factories; I am asking the annual amount of sales through the New York office? A. I do not know.

By the Chairman.

Q. Could you furnish the committee with a statement to that effect, if you had time, as to the amount of sales done through the New York office? A. Yes; I can do that.

Q. How long would it take you? A. To go down to 29 Broadway and come back again.

The Chairman.— I was just going to suggest to counsel that we should excuse Mr. Burns until to-morrow morning, and then he could furnish us with that information.

By Mr. Hamilton.

Q. I would like to have a statement of the sales and purchases made through your office in New York during the current year, or say 1892? A. I don't think any purchases were made in New York; yes; Queens county is in New York State; that is so.

By Mr. Ainsworth.

Q. You say you pay taxes for personal property in this State? A. Yes, sir.

Q. What part of the State? A. Here in the city of New York.

Q. Any in Buffalo? A. The manager attends to that there.

Q. You don't know? A. I don't know.

By Mr. Ahearn.

Q. Does your company own any works on South street? A. Yes, sir.

Q. They own that property? A. Yes, sir.

Q. Didn't I understand you to say that you didn't own any real estate in New York city? A. I made a mistake; they do own it.

Q. That is quite a good lot? A. Yes,; there is quite a piece in it; I don't know what taxes they pay on it.

Q. You do the bulk of your business there in the city of New York? A. In the city of New York; yes, sir.

Q. And employ quite a number of men? A. Yes; we employ a great number of laborers.

Q. That was formerly the old Duryee Starch Company? A. Yes, sir.

By the Chairman.

Q. Did any of the existing corporations for the manufacture of starch go out of business at the time of the incorporation of the new company? A. They all did.

Q. Those you took in went out of existence? A. Yes, sir.

Q. Did the same manufacturing establishments continue under the new name in the same locations? A. Yes; the same locations, but they were revamped and we spent a lot of money in making over and putting our men in.

Q. I understand, but the same establishments that were manufacturing starch before continued in the same localities in the manufacture of starch under the new name? A. Yes, sir.

Q. Do you manufacture the several brands of starch manufactured before and under the same name, or is it all under one name? A. Where we bought the trade-marks, of course, we use the trade-marks with our name on it, the National Starch Manufacturing Company, successor to the Glen Cove Starch Works.

Q. So that the only change really is that it is a new corporation and under the new management? A. Yes, sir.

Q. But you continue to manufacture the same brands of starch that were manufactured before your incorporation? A. No, sir; because we made some new brands; we have disused some of the old ones and closed up a good many of the factories.

Q. You say your principal offices are located in Covington, Kentucky; what relative proportion of employes have you in that office compared with the New York office? A. There are very few; there is only the secretary there and the clerk.

By Mr. Ahearn .

Q. The bulk of your business is transacted here in the city of New York? A. Yes; that is to say, the routine work of it.

By the Chairman.

Q. The bulk of the starch manufactured in the United States, is now manufactured by your corporation? A. No, sir; not at all; we have very strong competition.

By Mr. Byrnes.

Q. Did your company take charge of the Oswego works also? A. No, sir.

Q. Were you secretary and treasurer of the company at the time of the organization? A. Yes, sir.

By Mr. Ainsworth.

Q. When you organized, what existing factories went into the combination? A. Do you mean what we bought; we bought the Glen Cove, the Niagara, A. Erkenbecker & Co, George

Fox, Lockland, The Topeka Starch Company, the Ottumwa Starch Company, in Iowa.

Q. Did the stockholders of the existing corporations, the Glen Cove and others take stock in the new company? A. They did; yes, sir; they were offered cash first for it, and then they came and bought the securities of the new company.

Q. So that practically the existing corporations and factories became stockholders in the new corporation? A. Yes, sir; voluntarily.

Q. Were there any other stockholders except the stockholders of the existing corporations? A. Yes, sir.

Q. Your stock was put upon the market and sold? A. Yes, sir.

Q. These corporations were each appraised at a certain sum? A. Yes, sir.

Q. And which were paid over in stock of the new corporation or in money, the values which had been placed upon the various properties? A. Yes, sir.

Q. Did the Kingsford come in with you? A. No, sir.

Q. The capitalization of your new company was 10,500,000? A. Ten million five hundred thousand dollars.

Q. Do you know what the capitalization of the existing corporations was at the time of the consolidation? A. No, sir; I do not.

Q. Have you any idea? A. No, sir.

Q. Have you any idea as to whether the capitalization of the new corporation was increased beyond the aggregation of the corporations then in existence? A. I do not know.

Q. You do not know whether it was more or less? A. I do not know anything about it; I am an employe of the new company.

Q. But you were familiar with the organization of the new company, weren't you? A. In a measure; no; not the particulars of it.

Q. You were its secretary and treasurer? A. Yes; when it reorganized.

Q. From the date of its organization? A. Yes, sir.

Q. Were you interested in any existing companies? A. No, sir.

Q. Who is there that would know that fact as to whether your capitalization was increased or decreased beyond the aggregate of the capitalization of existing corporations? A. I do not believe anybody knows that; I do not suppose anybody has given it any attention at all.

Q. It must have entered into the talk in organizing the new company? A. That is for the incorporators of the company; I suppose they would have done that.

Q. Were you one of them? A. No, sir.

Q. You made a remark that you paid a tax upon your 10,000,000 of capitalization in all the States in the Union? A. Yes, sir.

Q. What did you pay in New York State on that? A. I tell you I can not remember.

Q. Do you pay this tax direct to the State or pay them to any of the various departments? A. I can not say that; I pay them as they are presented.

Q. Do you know whether they are presented by the local authorities or by the State authorities? A. I do not.

Q. Do you pay a tax of that amount in any State where you have no factories? A. I don't think I do.

Q. Then why do you say in all the States of the Union? A. I mean to say in all the States of the Union where we have our companies.

Q. Wherever your factories are? A. Yes, sir.

Q. The only tax you pay to the State of New York upon personal property is the personal property your company is subjected to in New York where your office is? A. I don't know about that; the details of it I do not know.

Q. What proportion of your $10,500,000 capitalization is represented by real estate? A. Bonds were issued for $4,500,000 to represent seventy-five per cent of the appraised value of the property.

Q. Of the real estate? A. On the real estate.

Q. Then, about $6,000,000 would be the appraised valuation of the real estate? A. Yes, sir.

Q. And an issue of $4,500,000 of bonds represents seventy-five per cent of that? A. Yes, sir.

Q. If $4,500,000 represents seventy-five per cent of your real estate valuation, then twenty-five per cent of your capital stock must represent the remainder of your real estate? A. Yes, sir.

Q. Then seventy-five per cent of $10,500,000 must represent personal property in some form or other? A. I beg pardon; I did not follow that.

(Question repeated.)

A. Yes; I suppose so.

Q. Now, upon that seventy-five per cent of $10,000,000 where are you assessed upon that personalty? A. I say in all States wherever the property is.

Q. Do you have any personal property assessment in the county in which the Glen Cove factory is situated? A. I don't know.

Q. You understand the law what a corporation is assessed upon the personal property at the place where its offices for the transaction of its business is? A. Yes, sir.

Q. The Glen Cove factory is no longer in existence? A. No, sir.

Q. Then there can be no personal property assessment on that property there? A. No, sir.

Q. The Niagara factory no longer exists? A. No, sir.

Q. Then there can be no assessment upon any part of the personal property in the county of Erie? A. Upon the old Niagara Starch Company?

Q. Yes? A. No.

Q. There can be no assessment under the law upon any part of your personal property in Erie county because your principal office is not situated there? A. No sir.

Q. Your home office is not in the city of New York? A. No, sir.

Q. There can be no assessment upon your personal property in the county of New York? A. That is the way I argued it out, but I am paying it all the same; I paid it last year, and I received a notice a short time ago for the personal property this year.

Q. Can you give us any idea of the amount? A. I have an idea it is $50,000 to $60,000.

Q. Of personal property? A. Personal property.

Q. Then as near as you can estimate it whatever personality is represented by seventy-five per cent of your capital stock is not assessed anywhere unless you pay a little of it here in the city of New York; I am not trying to get into your private business? A. No; I suppose not.

By the Chairman.

Q. The committee would like to have you tell them just in what way you think under the operations of the statutes of the State of New York you have been made so uncomfortable as to drive you to another State? A. We were not driven to another State; we never organized here.

Q. But the natural choice would have been to remain under the laws of the State of New York if you could have been just as comfortable here as elsewhere? A. I think it would, but I don't know anything about that as I was not one of the incorporators.

Q. Why did you select the State of Kentucky to organize in? A. I do not know; I did not organize the company.

Q. And you never heard any suggestion as to why the State of Kentucky was selected? A. I do know about that; it seems to me I heard an idea, that it was because it was a State allowed two preferred stocks, and the laws of that State permitted that, and the other States did not.

Q. Nearly one-half of your capital stock is represented by the bonds, isn't that so? A. No; the capital stock is $10,500,000; the bonds are a first lien on the property.

Q. Then you have first and second preferred stock in addition to the bonds? A. Yes; and common stock.

Q. Then what amount of common stock do you have? A. Five million dollars.

Q. Has your corporation declared any dividends since its organization? A. Yes, sir.

Q. How many? A. It paid interest on the bonds, and it paid the dividends on our first preferred stock of eight per cent, and twelve per cent on the second preferred stock.

Q. Any on the common stock? A. One per cent on the common stock.

Q. Can you tell the committee what proportion of the stock is what is recognized as treasury stock? A. Yes; as I say I consider this thing confidential, and I do not think it is right to make public in the newspapers all these things; we have in the treasury $4,500,000 we should issue, we have issued $3,837,000 and we have in the treasury $663,000; on the first preferred stock the capital would be 3,000,000; we have issued $2,219,000 and have in the treasury $780,000; second preferred stock $2,500,000, we have issued $1,346,800, and have in the treasury $653,200; on the common stock out of $5,000,000 we have issued $4,450,700, and have in the treasury $349,300.

By Mr. Ahearn.

Q. Isn't all of your manufacturing done in Glen Cove? A. No, sir.

Q. The bulk of it is? A. No, sir.

Q. That is the principal factory, isn't it? A. No, sir; it is one of the largest.

Q. It is shipped from there to your warehouses in South street? A. Part of it is and part of it is not.

Q. Most of the manufacturing done at Glen Cove is sent to that warehouse? A. Yes, sir.

Q. To supply the city of New York and the State of New York? A. Yes; it goes all through the State; that is the natural outlet for it.

By Mr. Malby.

Q. Where are your other factories located? A. In Topeka, in Ottawa —

Q. I mean in New York State? A. In Buffalo.

Q. Is the product of that factory shipped here? A. I don't know where that is shipped; I am not familiar with that.

Q. Can you tell me whether any of it is sold from the factory; have you any business office there? A. Yes, sir.

Q. That is other than the business office that controls the management of the firm? A. Any other business offices?

Q. Yes; than controls the simple manufacturing? A. The manager runs the factory.

Q. Have you any salehouses there; do you sell any starch from Buffalo? A. Yes, sir.

By the Chairman.

Q. Where are your orders first placed; in the New York office? A. No, sir; they are first placed with the manager of the company.

Q. Can an order for starch be placed at the Buffalo manufactory direct? A. Yes, sir; a man would naturally send to that office to buy it.

By Mr. Malby.

Q. Would the communication be addressed to the National Starch Company? A. To the National Starch Company.

Q. And not to the name of the old company? A. No, sir.

Q. Has the price of starch gone up any since the organization of your company? A. No, sir; the price of starch is lower now than it ever was before.

Q. Can you tell whether under the laws of the State of Kentucky you pay any tax on your capital stock or dividends? A. We do not.

Q. Have you filed any certificate in the State of New York? A. Yes, sir; in the secretary's office.

Q. And your principal business is done in the State of New York? A. No; our principal business — the New York business is done in New York.

Q. Is that your principal business; that is the larger proportion? A. The larger proportion is done in the State of New York; yes, sir.

By the Chairman.

Q. And orders from all parts of the country are placed and filled in the State of New York? A. No, sir.

Q. Is all the product of your manufacturing establishments in the State sold within the State? A. No, sir; it extends all over the country.

Q. That is what I mean; that you receive orders in New York from all over the country? A. Yes, sir; for the New York — for instance, the New York branch of it.

William W. Childs, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you live? A. Brooklyn.

Q. And you are treasurer of the American Manufacturing Company? A. No, sir; I am acting secretary.

Q. What is the business of the American Manufacturing Company? A. The manufacturing of jute-bagging for baling cotton.

Q. Under the laws of what State are they incorporated? A. The laws of West Virginia.

Q. How long have they been so incorporated? A. On that point I will have to state my opinion that it is about five years; I have only been with them a little while, and I am not sure.

Q. Do you know whether prior to that they or any constituent part of that corporation was incorporated under the laws of the State of New York? A. No, sir; they never were.

Q. Where is their business carried on? A. In the south; that is, their sales are made in the south.

Q. Where is their bagging manufactured? A. At Charleston, South Carolina, St. Louis and Brooklyn.

Q. Where is the principal office of the corporation for the transaction of business? A. The selling agents are at St. Louis, and they control and sell the entire product of the manufactory, although we have an office in New York.

Q. Where is your office in New York? A. Sixteen to eighteen Exchange place.

Q. Where are your purchases made for the transaction of your business? A. Principally here.

Q. Principally in the city of New York? A. Yes, sir.

Q. What is the capital stock of your company? A. The paid up stock (capital), I think is $2,800,000.

Q. What, if any, taxes are paid by your company in the State of New York or to any of the counties in the State? A. We pay

only a personal property tax in the city of New York for our office furniture.

Q. To what amount? A. Five hundred dollars; a nominal tax.

Q. That is upon the value of $500? A. Yes, sir.

Q. Then I believe you also pay the tax upon your property in Brooklyn? A. We do not own the property; the taxes are assessed upon the property we lease.

Q. Is that a part of the rental? A. Yes, sir.

Q. Other than that you pay no taxes whatever? A. No, sir.

By Mr. Malby.

Q. Did I understand you to say that your principal office was at St. Louis? A. I say principal in this respect, that the largest mills are there and the selling agents who control the entire product of the three mills are there.

Q. Why was the company organized under the laws of the State of West Virginia? A. I can not give you an intelligent answer to that; I have heard the matter talked over, but that was before my connection with the company.

Q. Do you understand that the laws are much more favorable there than here? A. I have heard so, but I do not know about that.

Q. Do you control nearly the entire manufacture of jute bagging? A. Our opponent would hardly admit that fact.

Q. What do you say about it? A. I should say that probably we manufacture forty per cent; I have heard that, and I believe it to be true.

Q. How many such corporations are there doing business? A. I can not say positively; I think I have heard there were thirty.

Q. Is there any mutual understanding between you as to the amount to be manufactured by the separate establishments or the prices to be received? A. Do you mean with other companies?

Q. Yes? A. None whatever.

Q. Have you ever had? A. I think there was at one time, but I only say so from what I have heard; it was before my connection with the company.

Q. How long have you been connected with the company? A. Since February, 1891.

Q. How do prices range now, compared with what they did at that time? A. They are much lower.

Q. Is the raw material itself cheaper? A. It is this year; it varies; last year it was higher.

By the Chairman.

Q. The raw material is a product of the south? A. No, sir; it is from India, and we buy it here.

By Mr. Malby.

Q. Have you any objection to stating the amount of dividends declared by your company? A. None whatever, as we have never declared a dividend.

Q. Do you mean by that to be understood that your company has never been able to declare a dividend; that is, never made anything in excess of your expenses? A. No, sir; we do not mean to say that; we probably have made something in excess, but we have not made sufficient to declare a dividend since my connection with the company; in fact it has been a cut-throat business for the last three years, and while at one time it was supposed that the prospect was we might make large profits, we have made very little.

Q. Owing to competition? A. Mostly.

Q. You say your paid-up capital is $2,800,000? A. Yes, sir.

Q. What is the entire capital of your company? A. We are authorized to have a capital of $5,000,000, but our paid-up capital represents stock in the business.

By the Chairman.

Q. Do you call the balance treasury stock? A. No, sir.

Q. It has never been issued? A. Never been issued.

Q. Did the creation of your corporation result in the consolidation of several other corporations? A. It did in the consolidation of two corporations; perhaps I might say of three; two companies in St. Louis and one in Charleston.

Q. Where is the great bulk of your business transacted? A. All over the south; probably the State of Texas does more than any other.

Q. But through what office or business house is it done? A. More through our selling agents in St. Louis than anywhere else.

Q. To what office do they account? A. Our treasurer lives in St. Louis, and has entire control and charge of the finances, but under him, as the acting secretary and cashier, I transact part of the business here in New York.

Q. Do the selling agents, for instance, in St. Louis, account to the St. Louis office or to the New York office direct? A. They account to the New York office, but they retain the funds there principally.

Q. But the business is really done here? A. It is done here on paper.

Q. What officers of your corporations reside within the State of New York, if any? A. One of the directors and myself are the only ones.

By Mr. Malby.

Q. Is the business conducted at St. Louis for the purpose of avoiding taxation in New York? A. No, sir; not at all; the business was originally carried on in St. Louis, and the office was in New York because this is the point where we are brought into immediate contact with the importers.

By the Chairman.

Q. This is the great commercial center? A. For the purchase of supplies; there is no advantage to us in coming here for the purpose of selling, but for the purchase of supplies there is an advantage.

Q. What proportion of your product is manufactured in the city of Brooklyn? A. A very little proportion as yet, inasmuch as we have been constructing the mill which is not yet completed.

Q. It is a new venture? A. Yes, sir.

Elisha M. Fulton, Jr., called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you live? A. In New York.

Q. Are you connected with the National Cordage Company? A. Yes, sir.

Q. In what capacity? A. As director now.

Q. How long have you been acting as director of that company? A. About two years.

Q. That company is organized under the laws of the State of New Jersey? A. Yes, sir.

Q. How long has it been so incorporated? A. Since 1885.

Q. And its capital stock is? A. Twenty-five millions.

Q. Was it at any time or any of the preceding corporations merged into it incorporated under the laws of the State of New York? A. I think so; I think there was one.

Q. What one was that? A. I think it was Tucker, Carter & Co.

Q. Your company has an office for the transaction of business in the State of New York? A. Yes, sir.

Q. Whereabouts? A. One hundred and thirty-five Front street, New York city.

Q. How long has it maintained that office? A. Since the organization of the company.

Q. And what business is transacted with that office? A. The transfer of stock and part of the general business of the company.

Q. Is that the principal business office of your company? A. Yes, sir.

Q. And has been since its organization? A. Yes, sir.

Q. How many of the officers of your company are residents of the State of New York? A. That I could not tell you.

Q. Can you give an estimate? A. Officers or directors?

Q. Officers and directors, calling the directors officers? A. I think out of nine directors five are residents of New York.

By the Chairman.

Q. Where does the president live? A. New York.

Q. Vice-president? A. New York.

Q. Secretary? A. I don't know who is secretary.

Q. Treasurer? A. Cincinnati.

Q. Are there any other officers of the company? A. I think there is an assistant treasurer.

Q. Have you a managing director? A. I think there was at one time; he was never fixed in the office; that is he has never attended in the office.

Q. Where does he reside? A. In New York; I think that is Mr. Wallace now.

By Mr. Hamilton.

Q. What is the business carried on by your company? A. Cordage.

Q. And where are its factories located? A. In the west, in New York, in New Jersey, Pennsylvania, Ohio, Massachusetts, Illinois, and several more of the western States I don't know.

Q. Where is it carried on in the State of New York? A. Brooklyn.

Q. What is the total output of your company? A. In the neighborhood of 125,000 tons a year.

Q. What proportion of that is from the factories also in Brooklyn? A. I think about 15,000 tons.

Q. You say you have factories also in New Jersey? A. We only have one now.

Q. That is the only connection then, in fact, which your corporations has with the State of New Jersey; that is it has no factory doing business incorporated under the laws of that State? A. Our largest mill burned down there since our incorporation about a year and a half ago.

Q. That has not been rebuilt? A. Not as yet been rebuilt, and I think I will have to correct myself, the other factory I was thinking of is in Reading.

Q. Then at the present time there is no factory in New Jersey? A. No, sir; not at the present time.

Q. And has not been for a year and a half past? A. About that.

Q. What business then does your company transact in the State of New Jersey, what proportion? A. We sell our output there.

Q. You do that in every State in the nation, don't you; sell your output? A. Almost.

Q. What further business other than the sale of your output is carried on in the State of New Jersey by your corporation? A. I don't know of any.

Q. What real estate do you own in the State of New York? A. We own those factories in Brooklyn.

Q. Any other? A. Not to my knowledge; there may be.

Q. What taxes do you pay upon your personal property or upon your corporate business in New York? A. I have not the slightest idea.

Q. You act simply as a director of the company? A. Yes, sir; and I do not even go down there at all.

Q. Have you anything to do with the books of the company? A. Nothing at all.

Q. Did you act in any clerical capacity at all? A. No, sir; I do not go to the office once in three months.

Q. What officer of your company has charge of that department A. Mr. Loper, I suppose, in the department of books.

Q. No; I mean the department which superintends the payment of taxes? A. I think Mr. Loper.

Q. What is Mr. Loper's full name? A. G. W. Loper.

Q. And Mr. Loper's office is where? A. One hundred and thirty-five Front street.

Q. Mr. Loper resides where? A. Cincinnati.

Q. Is he in New York now? A. Yes, sir.

Q. You are not able to give us any information whatever as to the taxes of the company? A. I haven't the slightest idea of it.

Q. Is your father an officer of the company? A. No, sir.

Q. He was an officer? A. Yes, sir.

Q. What office did he hold in connection with it? A. He was treasurer for a number of years, and then for a very short time he was financial director; I think that is the office he had.

Q. He has ceased to act in either of these capacities at the present time? A. Yes, sir; and has for some time.

By Mr. Ainsworth.

Q. Have you any bonded indebtedness A. I don't know.

By the Chairman.

Q. Can you tell the committee why the National Cordage Company elected to incorporate under the laws of the State of New Jersey? A. I can not; that was before my connection with it.

Q. I think you have already testified that the bulk of your business is done here in the city of New York or done from the city of New York? A. The books and that sort of thing may; the general office business may be done here, and yet I don't know that that is the case now; I believe a great deal is done in Illinois.

Q. That is, your output goes there? A. No; I mean offices where the books are kept.

Q. The head offices are in the city of New York? A. Yes, sir.

Q. And this is really the home of the company except for the fact that they are incorporated under the laws of the State of New Jersey? A. Yes; I should think so.

Q. What is the capital of the company? A. Twenty-five millions.

Q. Has it been recently increased? A. Yes, sir.

Q. What was it originally? A. Fifteen millions; when it was first incorporated I think it was only five; it had been for some two years fifteen.

By Mr. Byrnes.

Q. How many factories have you in Brooklyn? A. I believe there are four.

Q. And they were consolidated? A. Yes, sir.

By Mr. Malby.

Q. Are there any other companies doing the same business in the United States? A. Yes, sir.

Q. What proportion of the entire business does your company do? A. I think they do a larger proportion of the business now than when I was here; when I was in the office and knew, I think we did about two-thirds.

Q. And you think they do a larger amount now? A. I think possibly they may do a little larger now.

Q. Is the capital of 25,000,000 paid up? A. Yes, sir.

Q. Can you tell us what the amount of your dividends have been within the past two or three years? A. The gross amount?

Q. Each year? A. They have been paying eight per cent on their preferred and ten per cent on the common; that is on 15,000,000.

By the Chairman.

Q. They have not declared a dividend on the recent increase? A. That was only done within two or three weeks.

By Mr. Malby.

Q. Can you tell us what the stock is worth in the market? A. Seventy-four and one-half; that is the new stock after the common was doubled.

William M. Hoagland, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you reside? A. In Brooklyn.

Q. You are the treasurer of the Royal Baking Powder Company? A. I am.

Q. A corporation organized under the laws of the State of New York? A. Yes, sir.

Q. With a capital stock of how much? A. One hundred and sixty thousand dollars.

Q. How long has it been so incorporated? A. Since 1873.

Q. Was it at any time incorporated under the laws of any other State? A. I don't know.

Q. How long have you been connected with it? A. Eight years.

Q. Then it was not during your period of service in the company? A. No, sir; I think it never was.

By the Chairman.

Q. The committee know that the Royal Baking Powder Company is acting under the laws of the State, and we suppose that you are satisfied with the conditions? A. There is one thing I

would like to say in reference to corporations organized under the laws of other States; such experience as I have had in that case when taxes have been levied upon those corporations it has always been with a sentiment of retaliation in other States; a great many corporations who have formed under the laws of New York would therefore suffer in other States in case the taxation should be made too heavy upon corporations doing business in other States; my sentiment has been made up of the fact that taxation should be very lenient over corporations that are not organized in the State of New York, for whatever reason they may have removed or have formed under other laws.

By the Chairman.

Q. What would you say to so amending the laws as to treat foreign corporation in this State just as we treat our domestic corporations, to put them exactly on the same footing? A. I believe that the great prosperity of this country is due in one cause to the fact that we have so-called free trade among the different States of this union, and corporations organized in the different States should, in my opinion, pay there tax there and if those States did not see fit to insist upon levying the tax that is not our lookout.

Q. Don't you look upon it as a shifting of the burden, that large corporations doing business in this State can reincorporate under the laws of other States and thereby escaped their contribution to the support of the other States? A. Doesn't that show that we are levying a tax in this State that is burdensome, which should not be put upon the corporation?

By the Chairman.

Q. Isn't it a burden to your corporation as well? A. Yes, sir.

Q. How is it then you can live under it and they can not? A. We could live better under it if they did not exist.

By the Chairman.

Q. Do you find it oppressive with your company to pay the tax in this State? A. I think the taxation upon the corporations are oppressive, and I am perfectly free to say to you that it has been

talked over among our directors whether or not we should go out from under the form of corporation, whether we should not go back to a partnership.

By Mr. Guenther.

Q. Do you pay the taxes on the entire personal estate owned by your corporation? A. Personal estate owned by the corporation would be capital stock, wouldn't it?

By the Chairman.

Q. No; your plant outside of your real estate, and all of your personal effects of the corporation outside of the stock would be personal property? A. We pay taxes on all the personal.

Q. On the total value? A. Yes, sir.

By Mr. Malby.

Q. Do you think that a corporation organized under the laws of the State of New York and paying taxes here can compete with a company organized under the laws of the State of West Virginia where they do not pay any taxes anywhere? A. It depends entirely upon the corporation and what they are formed for.

By the Chairman.

Q. Doing a like business? A. I have not experience enough to say.

By Mr. Guenther.

Q. There are several corporations engaged in the same line of business in this State as well as in several other States adjoining New York, and they combine; several of the corporations in this State refuse to go into it; does that concern, incorporated in the State where there are no taxes, remembering that those in this State are incorporated under our laws and pay taxes — do you think it is fair to those that remain in this State to pay taxes here and allow a corporation that is incorporated in another State to come here and compete with those paying taxes? A. I think it is not fair to tax the corporation in New York while corporations

in other States do not have to pay taxes ; and for that reason I am in favor of a tax upon —

Q. Do you understand my question; suppose there are several corporations in this State and the same kind of corporation in other States adjoining New York, and engaged in the same line of business; several of those in this State combine with those in adjoining States and become incorporated in one State, say, for instance, New Jersey or West Virginia; one or two of those engaged in the same business in the State of New York refuse to go in it; they continue incorporated in this State and pay taxes in this State; it is fair to those remaining in this State to allow those incorporated in other States and paying no tax to come in here and compete with them in the same line of business? A. I consider it fair because other people have the same privileges if they want to go out of New York and incorporate.

By the Chairman.

Q. What would you do; would you relieve the domestic corporations from taxation or would you impose taxation upon the foreign corporations doing business in this State? A. I should relieve the local corporation of its tax.

By Mr. Guenther.

Q. Where would you get your money from to meet the expenses of the government? A. Do not want to know my opinion?

Q. Yes? A. From real estate.

Q. On the single tax idea? A. I do not know whether that is the term applied to such a belief.

Q. You believe in taxing the real estate? A. Yes; we are large holders of real estate and would be willing to pay our share.

Q. And you think personal property receiving a certain protection from the law as much if not more than real estate should not pay any tax and that real estate should bear the whole burden of taxation? A. Yes, sir.

Q. Why should there be this discrimination in favor of personal property as against real estate? A. I believe that the

centers of trade are more prosperous by an aggregation of personal property; I do not believe in driving away personal property from New York by putting a tax upon it; we can give employment to labor and have improvements of all kinds by having personal property to spend; and if we are going to tax it and drive away we make people conceal it so we can not get at it.

By Mr. Ainsworth.

Q. Enlarge your views and take in the whole State, and how does your argument apply to the rest of the State, except its great cities; would you make these people pay the entire expense of the State government; enlarge your view beyond the little island of Manhattan, and what you think about it? A. I believe it would be fair on the agricultural interests; I do.

Q. To let them pay the majority of the taxation in the State of New York; you say you do not believe in the taxation of a corporation; what do you say about a corporation which occupies a public street railroad; shouldn't they pay a tax for their franchise? A. Would that be considered a State tax?

Q. They are taxed now? A. I think my views cover the whole subject; if a street railroad company will go to work and run the risk to get enough five-cent fares to make it convenient for me to go to Central park I bid them God speed and do what I can for them.

Q. You understand that a corporation with individual stockholders, that their private estate not invested is not liable for its debts? A. Yes, sir.

Q. And a partnership would be? A. Yes, sir.

Q. You believe that no tax should be imposed upon a corporation for the exemption from liability which a State gives them? A. I do not think the advantage is worth what it is charged.

Q. It is so much that many men before this committee have testified that they came to New York to organize so as to have that? A. It may be among other corporations.

Q. I am taking the enlarged view? A. Then you can judge what the others have to say.

Q. Good business men in the city of New York have testified that they have come to New York to organize a corporation for the purpose of exempting their private estate from liability that they would incur as partners in doing the same business; now, ought not that corporation to pay something for its privileges or its advantages? A. There are many large corporations in New York, and there are a few that probably that would be an advantage; I think, if a majority of the corporations in New York are formed in such a way, that they could very readily return to their old style of partnership, and the release from liability you speak of is not worth what is now being charged us in the way of taxation.

By the Chairman.

Q. Do I gather from your view that whatever tax is imposed upon a local railroad company that it ought to be local in its nature; for instance, a railroad corporation with a franchise in New York, that if it is to be taxed at all the tax ought to be local in its character and the city ought to get the benefit of it, is that the idea? A. That is it.

By Mr. Ainsworth.

Q. You think it should be taxed upon something beside its real estate? A. If it is taxed it should be.

By Mr. Guenther.

Q. You say you do not favor the idea of taxing personal property; do you recollect the trouble we had in Buffalo during the past year whereby the troops were called out to protect the personal property of the railroads at an expense to the county of Erie of nearly $300,000; that was for the purpose of protecting personal property; we real estate owners in Erie county must pay the tax for protecting that personal property; why should not the owners of that personal property pay for their proportion to meet the expenses of the State, the county and the city incurred in its protection?

By Mr. Ainsworth.

Q. Why should the Orange county farmers pay for that entirely? A. As I have said before, I have not studied the question thoroughly.

Q. What is your idea as to taxing personal property in view of what I said occurred in Buffalo last year? A. I understand that is the only case of the kind that ever occurred in New York; it is an exceptional thing.

Q. But you see the law is that the county is responsible for the destruction of personal property during a riot; you see the personal property has the protection but the county is responsible for it? A. It is a question whether it does not all work around right in the real estate.

Q. How would it work around in your opinion? A. This is not an inquisition, is it?

Q. No; but we are trying to get your ideas? A. If you will allow me it is a question to me whether Erie county has not been made what it is by that personal property that is there, and whether it is not worth while to protect that propery for the sake of making Erie county what it is.

By the Chairman.

Q. What Mr. Guenther has just said as to the conditions that prevail in Erie county, about the State having to step in and protect railroad property in the county of Erie, and the county of Erie having to make that good, isn't that an argument in favor of what I suggested about the taxation of railroads being local? A. Yes; I think it is.

Q. It ought to be local; if the county in which the railroad is located must bear the expense of protecting the property even by the State militia, why then should not the return from that property come to the county instead of to the State? A. As you state the question, it seems to me it should.

F. O. Hanlon, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You are the secretary of the National Lasting Company? A. The Universal Lasting Company.

Q. Is it a domestic corporation? A. Yes, sir.

Q. With a capital stock of? A. One million dollars.

Q. With the principal office for the transaction of business where? A. New York city.

Q. Have you any suggestion to make to the committee as to the propriety of modifying the present laws relating to taxation so far as they affect the commercial or corporate interests of the State? A. I would like to state that my experience has been in connection with the company which I represent, in addition to this lasting company, and we paid the tax (city); it does not amount to a great deal, $500 a year, but if you take our position to-day, we have been four years in existence, and spent probably $150,000 in experimenting with a view to perfecting our machinery, and we have not had one cent of revenue from any direction whatever; in that case I think there ought to be some modification and my idea upon the subject of taxation — I have given it some little thought — is that it should be on the earning capacity of a company; I believe in the taxation of personal property.

By Mr. Ainsworth.

Q. You believe that there should be a system of taxation graduated accordingly to the rate of dividend which you are able to pay? A. In that respect taking a corporation, if they are in position to earn a certain amount of money, they may perhaps pay enormous salaries and thus reduce the amount of dividends declared.

By Mr. Guenther.

Q. In view of taxing the earning, don't you think the result would be the same as it is to-day in taxing personal property, and that those companies or concerns would have to hire expert bookkeepers, etc.? A. Of course, that is a subject that would have to be considered; but my idea is that the tax should be, and that it would be far preferable to make it a nominal tax on the gross earnings; if you propose a tax upon the net earnings of a company, of course they can pay their officers enormous salaries, and thus reduce the dividends.

By the Chairman.

Q. Suppose the State should determine to tax the gross earnings of the company; what size of an army of experts do you suppose it would need to keep them in hand? A. Of course, but you take our case in the same condition we are in it seems to me a little bit unjust; we have not declared a dividend or received any revenue from any invention whatever, and we pay the State taxes one of them $876.

By Mr. Guenther.

Q. How long have you been incorporated? A. I think February, 1888.

Q. Did a number of people engaged in the same line of business organize together? A. No, sir; simply to develop a patent lasting machine.

Q. Were you connected with the company when they were organized? A. Yes; I am connected with the company, the Universal Lasting Machine Company, which is the outcome of another company.

Q. You saw no reason why you should not incorporate in this State under existing laws? A. No, sir.

By Mr. Malby.

Q. You say you are connected with other corporations? A. Yes; with the John Paten Manufacturing Company; also with the Positive Screw Pump and Meter Company, but that is a company which never been in business, and never paid any tax.

Q. Do you believe in taxing personal property? A. Yes, sir.

Q. Is there any good reason to suggest itself to your mind why a corporation organized without the State should pay the same tax with a company that is organized within the State? A. No, sir; have you put on record that I said I paid from $800 State tax; that is for the John Paten Manufacturing Company; although both of them are domestic corporations.

Adjourned.

Joint Committee of Taxation,
New York, February 11, 1893.

The committee met pursuant to adjournment.

Charles Davison, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you live? A. In New York.

Q. You are the secretary of the National Lead Company? A. Yes, sir.

Q. Which is a corporation organized under the laws of the State of New Jersey? A. Yes, sir.

Q. And has been in existence as such since December, 1891? A. Yes, sir.

Q. That company was constituted of various previously existing corporations, including several which were organized under the laws of the State of New York? A. Yes, sir.

Q. The New York corporations which entered into this combination have since been dissolved, or some of them? A. I think so.

Q. What is the business of the National Lead Company? A. They manufacture white lead, oxides, linseed oil, pipe and sheet lead, and in fact all manufactures of lead.

Q. What is the capital stock of the present corporation? A. Thirty millions.

Q. Where are its factories carried on or operated? A. In a number of different States.

Q. Some of them in the State of New York? A. Yes, sir.

Q. How many? A. I think there are six.

Q. Where are they located in the State of New York? A. At Staten island, Brooklyn, and Ulster county, Saugerties, or whatever the name of it is.

Q. Where is your chief office for the transaction of the business of this company? A. The executive offices are at No. 1 Broadway, New York, and the chief office of the company is No. 1 Exchange place, Jersey City.

Q. By that you mean the office for the corporation purposes is in Jersey City? A. Yes, sir.

Q. But the business uniformly is transacted in the New York office? A. Yes, sir.

Q. Can you tell us what is the output of this company annually, the product, the annual sales? A. No; I could not.

Q. Can you give us an estimate or approximation of what it may be? A. I could not without the figures, as we own stocks of other companies, and I could not separate them in my mind without seeing the figures.

Q. What real estate does this company own in the State of New York? A. It owns real estate in Brooklyn, Saugerties, Staten island and Buffalo.

Q. What taxes does this company pay other than the taxes upon the real estate which it owns in the State of New York? A. I do not think I could tell that without referring to the records; I think the State taxes the company; I do not know the amount or on exactly what.

Q. Your company has applied for a certificate for leave to do business in this State? A. Yes; and received one.

Q. And you clam it pays its tax upon what they allege is the capital employed in the State? A. I presume that is it.

Q. Do you remember what that amount is fixed at? A. I do not; we made a long statement to the Comptroller of this State.

Q. Has that been adjusted yet? A. I do not think it has.

Q. Do you remember what figures were claimed by your company as the basis of the capital employed in this State by it? A. No, sir; I could not tell.

Q. Do you know what causes, if any, led to the organization of this company under the laws of New Jersey when its business is uniformly transacted in the State of New York? A. Its business is not uniformly transacted in the State of New York; its executive offices are here in New York.

Q. Its principal offices are manned here and its principal business is conducted from here, isn't it? A. No; not as far as sales and manufacturing; what do you mean, the business——

Q. The management and control is exercised here; the supervision? A. Yes; the supervision.

Q. The home really of its capital is in the State of New York apart from its real estate possessions; now, what causes, if any, led to the organization of that company under the laws of New Jersey and not under the laws of New York? A. I was not instrumental in forming the company; I was elected secretary after the formation of the company; but I presume, if I can give a presumption, that the reason of its being practicable to obtain a more liberal charter to preserve the autonomy of the business better in New Jersey and also from the expense being less, the taxation being less there.

Q. Under the laws of New Jersey your company found it possible to organize what would be a trust, a combination of various corporations? A. A company that could own a number of works in different States and also the stocks of different companies.

Q. Your combination is generally known as the lead trust, isn't it? A. It was formerly a trust; it is now known as a company.

Q. And you found that under the laws of New Jersey you could organize and as you say preserve the autonomy of the trust, whereas under the laws of the State of New York you were not permitted to do that; is that the fact? A. I do not know; as I say, I was not instrumental in organizing the company; I came in afterwards, but I presume that is it.

Q. That is your understanding of the affair? A. Yes, sir.

By Mr. Malby.

Q. I understand you to say that this company was formed by the consolidation of various other lead companies; will you please tell us which ones they were, and give the locations of them? A. The Atlantic, with works located in Brooklyn; the Brooklyn, located in Brooklyn; the Bradley, located in Brooklyn; the Jewett, located on Staten island; the Cornell, located at Buffalo; the Ulster, located at Saugerties.

Q. Any others? A. I think that is all.

Q. Were all these companies you have mentioned organized before that time within the State of New York? A. Yes, sir.

Q. All State organizations; that is, incorporated under the laws of the State of New York? A. I think all those I mentioned, except the Atlantic and the Cornell had become organized under one company here called the National Lead and Oil Company.

Q. A State institution? A. A State institution.

Q. Now, what companies did you take in in this consolidation outside the State of New York? A. The Southern, Collyer and Red Seal, St. Louis; the Shipman and Southern of Chicago; the Kentucky of Louisville; the Eckstein and Anchor of Cincinnati; I think that is all.

Q. Now, in what manner did you secure control of these various companies? A. They were secured by purchase.

Q. The purchase of their stock? A. Yes, sir.

Q. Did you reissue new stock from the consolidated company in place of the old? A. Yes, sir.

Q. If I understand you, there was no real money purchase of any of these previously incorporated institutions; the manner in which you secured control under the new consolidated company was by the issue of the stock of the new company? A. I think so.

Q. What proportion of the business does your company at the present time do in the United States? A. I could hardly answer that.

By the Chairman.

Q. In other words, how many lead companies do you know of outside of your present organization doing a similar business? A. There are a great many different branches.

By Mr. Malby.

Q. Is there any company doing business outside of your own with anything near the capital you have invested? A. No; I think not.

Q. Give us your best estimate of the proportion of the whole business which your consolidated company does within the United States? A. I do not think I could do that, because it may

do a larger proportion of one and a smaller proportion of another branch, and so on.

Q. Can you give us some estimate of it? A. Nothing that would be reliable.

Q. Would it exceed fifty per cent? A. I should not think so.

Q. How about your linseed oil; what proportion of that business do you do in the United States? A. I should think possibly seven or eight per cent.

Q. Can you tell me whether the price of the products in which you are engaged in manufacturing and selling have increased any since the various companies were consolidated into one? A. Since the organization of this company?

Q. Yes? A. No; there has been a decrease.

Q. How about the price of linseed oil, was that increased or decreased? A. That is increased.

Q. How is it with white lead? A. Decreased.

Q. I understand you to say that you owned the stock of other companies; what did you mean to be understood by that? A. The stock of other companies in States where foreign corporations can not own property.

Q. There are some States in the Union, then, in which your company, by virtue of the fact that it is organized under the laws of the State of New Jersey, can not do business there? A. It can not own real estate, I believe.

Q. In addition to having consolidated these various companies to which you have called our attention, do you also own in those States stock of other companies doing general business of the same order? A. Yes, sir.

Q. Is it true that your consolidated company either owns or conirols the majority of the companies doing this kind of business in the United States? A. Which kind of business?

Q. The business in which you are engaged? A. We are engaged in different businesses.

Q. I mean by that the different branches of business in which you are engaged; take them separately; do you do a majority of the business and own or control a majority of the companies which

are engaged in the manufacture and sale of white lead? A. Yes; I think white lead we do.

Q. And the linseed oil? A. No; that is very small.

Q. What is your other chief manufacturing industry besides white lead? A. The oxides.

Q. How is it with the oxides; do you manufacture and sell and control a majority of that article? A. I am not clear on that; I do not know the statistics of the business well enough.

Q. Do you manufacture and sell mixed paints? A. No.

Q. What other article do you engage in manufacturing and selling chiefly? A. We manufacture considerable lead pipe and lead sheet.

Q. What proportion of the total output in the United States do you manufacture? A. I could not say; it is comparatively a small proportion I should think.

Q. Has the capital stock been increased lately? A. No; it has not been increased at all.

Q. Do you know what the stock is worth? A. I think the paper could tell you better than I could.

The Chairman.—The common stock closed at forty-eight; the preferred is ninety-three and one-fourth.

Q. That is about as you understand it? A. Yes, sir.

Q. Have you paid any dividends since the organization of the company? A. Yes, sir; we paid four quarterly dividends of one and three-quarters per cent on the preferred.

By the Chairman.

Q. I do not know whether the question has been already asked, but if it was I did not hear it; can you tell the committee what proportion of your business is done through your New York office, or about? A. We do no business at all through our New York offices.

Q. No orders are placed there? A. No; simply the executive business of the concern.

Q. The principal office is located where? A. The selling office?

Q. The principal office of the company; what do you call the

principal office? A. The executive offices are here in New York, at No. 1 Broadway.

Q. That is the principal office as you understand it? A. I think likely the principal office is in New Jersey.

Q. What business is transacted through the office in New Jersey? A. The transfer of stock and its corporate business.

Q. And where are the offices located through which the general business of the company is done? A. It is done through the various branches, the selling and all that sort of thing.

Q The original factories that were taken in on the consolidation have lost their identity but don't they continue just the same? A. Yes, sir.

Q. You say your company has an interest in several corporations in other States that were not taken in at the time of consolidation? A. Yes, sir.

Q. The reason they were not taken in was that the laws of the States in which they were located respectively did not admit a foreign corporation to own property there? A. Yes; I think that was the principal reason.

Q. Can you say whether your company has a controlling interest in these various corporations in other States? A. Yes; we have a controlling interest.

Q. So that they are practically a part of the National company? A. Yes.

Q. Taking the National company and these various companies which you control outside of your own company, what proportion of the business of the company is controlled by them taken altogether? A. As I say we have a variety of branches, in some of which we do a large proportion of the business, and in others we do a comparitively small proportion.

Q. What proportion of the manufacture of white lead is controlled by the combination? A. I never have seen the books of the other outside companies so I could not tell you that.

Q. Have you any idea about what it would be? A. No; it is a large proportion, but I do not know as to the exact percentage of it.

Q. Isn't it sufficiently large to enable you to control the market as to white lead? A. No.

Q. How would that apply as to lead pipe? A. It would not apply at all.

Q. How would it apply as to linseed oil? A. That is a very small factor; you can manufacture, but unless you have some patent it will not control any market; if you should attempt to control the market by putting up the prices you would simply increase competition which would in the end be disastrous; that is not our policy at all; our idea is and it has been to lessen our cost and sell as cheaply as possible and prevent competition in that way.

Q. What State of the Union does your corporation do the greatest amount of business, as you understand it? A. Sell the most goods in?

Q. Yes. A. I should presume in New York State, though I am not positive as to the exact figures.

Q. I think I understood you to say that the orders for the various commodities are placed at the different factories, is that so? A. Yes; the offices of the different factories.

Q. Now, these various factories or offices of the factories account to some fountain head, don't they? A. Yes, sir.

Q. Where is that fountain head? A. The executive offices No. 1 Broadway.

Q. In the city of New York? A. Yes, sir.

Q. Then boiling it down, as a matter of fact, all the business of the company is transacted in the city of New York? A. No; not all.

Q. These various outside branches are simply a part of the central office in the city of New York, isn't that so; they all account to it? A. Yes, sir; they all account to the New York office, the same as a railroad going through a number of States has one head office that they have to account to.

Q. No other business is done, I think I understood you to say, in the New Jersey office except to keep a record of the stock and transfers of the stock? A. Yes, sir.

Q. And that all the receipts are received in the New York office and are accounted for to the New York office and disbursements are made through that? A. Through the New York office.

By Mr. Guenther.

Q. Have you in mind any alteration of the corporation laws of this State that would be an inducement for corporations such as your to incorporate in this State and still provide a means of tax for the purpose of meeting the expenses of this State? A. I never studied that question particularly, but I should say that if the thing was simplified so that corporations would know exactly what they would have to pay it would be a great step in advance.

Q. You believe in some specific tax? A. So that they would know exactly, so that it would be specific; I think we are very indefinite as to what may be collected or may not be collected.

Q. You have no proposed amendment in mind as to the manner of simplifying the laws? A. No, sir; I have not given it enough attention.

Q. You stated that you did not know the particular reason they went to the State of New Jersey to incorporate? A. Simply that I did not know positively as I came in afterwards; the expenses, as I understood it, were light there — the expenses of incorporation — and the charter was more liberal.

By Mr. Malby.

Q. I think it already appears that on the capital stock of the companies organized in the State of New Jersey they pay no tax to the State there; how is that? A. We pay a tax on the organization; I think there is a slight tax each year.

By the Chairman.

Q. You understand that under the laws of the State of New Jersey corporations are not required to make the same kind of reports to the State that they are in the State of New York, isn't that so? A. Yes; not such detailed reports.

Q. As you understand it not so inquistorial? A. Yes, sir.

Q. Is that one of the objectionable features under our laws? A. Yes, sir; I think it is a very objectionable feature.

Q. Why? A. Because it throws open your business to your competitors.

By Mr. Guenther.

Q. Don't that apply to all corporations then? A. In the manufacturing business that that would be entirely different, fire insurance, life insurance or a bank or anything of that kind.

Q. Controlling the market as you do in the National Lead Company would it make any difference if they knew your business or not? A. I have already said we do not control the market; the great American people control the market.

G. Weaver Loper, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you live? A. I live in New York at present.

Q. You are connected with the National Cordage Company? A. Yes, sir.

Q. In what capacity? A. Treasurer.

Q. You have also been connected in what other capacity? A. Secretary and director.

Q. As such, are you familiar with what the total output of your company is? A. Yes, sir.

Q. And the proportion which the output of the New York State companies bear to the total? A. Yes, sir.

Q. What is the total output? A. Under full running capacity about 85,000 tons out of the State and 20,000 to 25,000 tons in the State.

Q. Is this 20,000 to 25,000 tons in New York State all sold and distributed from the New York office or through it? A. No, sir.

Q. What portion of it is? A. That would be a very difficult question to answer; I would have to explain still further that in the absorption of the New York mills each concern still held their individuality and sell considerable quantities in their own name, such as Waterbury & Co., William Walls Sons, Tucker, Carter & Co., the Elizabeth Cordage Company, the Lawson Rope Works.

Q. They sell in their own names? A. Yes, sir.

Q. And furnish the west through the western outlets? A. Yes, sir.

By Mr. Guenther.

Q. Can you tell the committee what is the amount of personal tax you pay in the State of New York? A. I have not the slightest idea.

Q. Have you ever paid any? A. I think we have.

Q. Where? A. In the State of New Jersey.

Q. Don't you think it would be fair since your output is about one to three in the State of New York and two-thirds in the whole Union you should pay some personal tax in the State of New York? A. I do not think the National Cordage Company would object to doing anything that was fair and equitable in connection with other corporations; they would like to work under the State of New York.

Q. Can you tell us what amendment you have in mind to the general corporation laws of the State of New York that would induce you to come back in the State and still contribute a fair portion of your tax to the State? A. I would pull down every bar I could.

Q. What are they? A. I would not compel the company to make out elaborate statements.

Q. We amended the law as to the statement last year, and it is much more liberal than it was before; is there any other suggestion you can make in relation to the amendments? A. Only this, that the concerns that I have mentioned who are operaing these mills pay a tax to the State of New York.

Q. They do? A. Yes, sir; Waterbury, Wall, Tucker, Carter & Co., the Elizabeth Company and the Lawrence mills, and we own the properties.

Q. They pay on real estate? A. Yes, sir.

Q. Do they pay any personal tax? A. They pay a tax on their sales, each of these concerns.

Q. Have you in mind the amount of tax they pay? A. I have not.

By the Chairman.

Q. On the consolidation, did not these several domestic corporations lose their identity, or did they still continue to exist as corporations? A. It is in this way; we absorbed the concerns I have mentioned; purchased the plants outright; we have them leased to each of these concerns for a series of years, the mills; at the beginning of each year they are compelled to put in a competitive bid to manufacture goods for the National Cordage Company; they have their capital in the business but we own the plants; the National have their working capital and each individual mill has theirs; the concern that will not meet a bid must shut down and does not run.

Q. If they do not meet a bid do they derive any benefit from the combination? A. Not a cent.

Q. It has been alleged as to one combination that whether they operated or not they received their share of the earnings of the combination just the same? A. The National Cordage Company act in that matter in a cold-blooded way; they have leased the mills, and they must put in a competitive bid; all bids are then opened; we find then that we have a certain price for manufacturing sufficient to run us for that year; another concern perhaps would not meet that bid, and we shut them down.

By Mr. Guenther.

Q. Are not those that lease these concerns stockholders in the National Cordage Company? A. Stockholders some days, I suppose, and not stockholders the next; I think all of them are to a certain extent stockholders of record.

By Mr. Ainsworth.

Q. When you organized your combination, did the stockholders in existing corporations become stockholders in your corporation? A. Only regarding the New York concern —; all that we have bought out ——

Q. Did you issue any of your stock to them as a corporation in payment of their plant? A. There was a certain amount of stock issued to the New York concerns.

Q. Was that stock issued to them in consideration of their plant? A. Part in stock and part in cash.

By the Chairman.

Q. Was it in consideration of their plant? A. Yes, sir.

Q. Did they then cease to be a corporation; in other words, what became of the stock each individual held in these corporations; did they in place of the stock they held in these organizations take your stock? A. No, sir.

Q. They retained their holdings in the old corporations? A. Yes, sir; and do to-day.

Q. And to them was divided the stock which that organization received from yours; to the stockholders of the existing plants was devoted the stock which that corporation took in yours? A. That I don't know.

Q. Or did the corporation, as a corporation, hold that as an asset? A. I don't know.

Q. Have you any way of finding out? A. I think I could.

By Mr. Ainsworth.

Q. If they still hold stock in your corporation as an asset of that corporation then it is personal property owned by them, isn't it? A. I don't know.

Q. Wouldn't it be? A. I should say it is.

Q. Then they should be taxed upon that, should they not, upon the theory of taxing personal property? A. I should yes to that.

Q. But, as matter of fact, you do not know whether they have paid a tax on it or not? A. No; I do not.

Q. Your combination or corporation is organized upon the theory of controlling the product of all these factories through one sales agent, isn't it? A. Not through one; we have a series of sales agents.

Q. But they are subordinate to the corporation? A. Yes; we are the owners of the plants; but we are not the owners of their capital stock.

Q. Are you able to tell how much stock you issued to any of these corporations then existing? A. No, sir.

Q. What is the capitalization of your company? A. Twenty-five millions.

By the Chairman.

Q. Do you know the amount of capital stock of any one of the corporations that was taken in? A. Yes; I know my own.

Q. Do you object to saying how much that was? A. With the best of feeling, I would object to stating the amount at which it was taken in; but if I can answer your question in this way, it was very little above the valuation of the real estate and machinery.

By Mr. Ainsworth.

Q. What was your corporation? A. The Victoria Cordage Company.

Q. Take the Victoria Cordage Company; what was done with that corporation, with the stock which was issued to you by the new corporation? A. It was locked up in a box.

Q. Was it distributed to the stockholders? A. No, sir.

Q. Then your corporation still owns the new stock as an asset? A. Yes, sir.

Q. Do you object to telling us how much it was? A. Yes, sir.

Q. Do you know whether your corporation ever paid a tax upon that stock or not? A. Yes, sir.

Q. Has it? A. Yes, sir.

Q. Where? A. Ohio.

Q. This was under the listing law that you were caught? A. Yes; we were not caught; we declared it.

By the Chairman.

Q. What becomes of the dividends that are declared on the stock that you received from the National company? A. They are divided among the stockholders.

Q. Are they divided among the stockholders of the new stock or the holders of the old? A. To what do you refer?

Q. I refer to the stock? A. Take the Victoria Cordage Company; we received a certain amount of dividends from the National Cordage stock that we hold; that is declared as a dividend to the holders of the Victoria Cordage Company stock.

Q. Then does that carry out the idea I suggested, that whether you run or whether you don't, you get your dividends just the

same? A. No; I have got to keep that plant up; I have got to support that plant; if you do not run—

Q. Well, suppose your plant does not run; you have received stock at least equal to the value of your real estate and your plant? A. Yes, sir.

Q. And on that stock you receive a dividend from the National Cordage Company; do you say that the dividend thus received is divided among the stockholders of the original concern? A. That is right.

Q. Don't they receive their earnings then whether they operate or not? A. No more than if you went into the market and bought stock; suppose I sell that stock?

Q. But I have understood you to say that you have received an amount at least equal to the value of the real estate and plant? A. Yes, sir.

Q. So that you have practically sold out? A. Yes, sir; I have got the stock and sold out the mill.

Q. And you get your earnings whether you operate or not, don't you? A. That is right, but not in the light you place it; suppose I sell out; I have a plant worth $500,000, and I take $500,000 worth of stock for it; you must remember that I have only converted one asset into another; if I sell that stock, you can not say that I got any remuneration.

By Mr. Malby.

Q. You have no right to shut down if you take that stock, because you are released by your ownership in the corporation? A. No, sir; not at all; that mill is leased; you are compelled to support that mill; you must keep it up; if you are not willing to manufacture at the bid sent to the company you shut down, and during that year you operate you control the mill at your own expense.

By the Chairman.

Q. But the National Cordage Company are the owners in fact of the entire plant? A. Absolutely.

Q. Therefore no loss can come to the original holders because they have received some new stock at least equal to the value

of what they held in the old? A. Very well; suppose they sell it; where does the corporation stand?

Q. This corporation is merged into the new one? A. Suppose they divide up the assets, and then run under their manufacturing contract?

By Mr. Malby.

Q. We understood you to say you did not divide? A. I said I did not.

By the Chairman.

Q. I understand that the entire amount of stock your company received is locked up in a box? A. That is right.

Q. And has not been distributed? A. No; and will not be until it gets to par.

Q. But the earnings are distributed? A. That is right, and the dividends are distributed; I see the point you are arriving at, but the National Cordage Company are there for the company alone, and not for the old owners of the mills; that is why I hold my stock.

By Mr. Malby.

Q. You simply sell the products of these various manufacturing corporations which you have consolidated into yours? A. Yes, sir.

Q. Did you force a sale of these various corporations to the National Cordage Company by the purchase of a majority of the stock and by an election of the directors? A. No, sir.

Q. How did you get control of it? A. When they wanted to sell out we bought them.

By the Chairman.

Q. Barkis was willing all around? A. That is right.

By Mr. Malby.

Q. Was that willingness brought about by the fact that your company had purchased a majority of their stock and held a controlling interest in it? A. No, sir.

Q. You say that unless they accept your bids they do not manufacture for you? A. That is right.

Q. Do they manufacture for anybody? A. No, sir; it is our property.

Q. You simply say to them if they can not manufacture for you and at your prices they must shut down? A. That is right; he can not make the prices; it is a competitive bid.

Q. You owning a majority of the stock and controlling the directors simply shut down? A. Not a majority of the stock but owning the mills.

Q. But you lease them; are there any regulations or laws which authorizes you to shut them down? A. Certainly there is; if they can not meet the competitive bids.

Q. Is that a part of the laws? A. Yes, sir.

Q. If they do not meet competitive bids they shall not manufacture? A. Yes, sir.

Q. That is a part of the laws and not part of the power you exercise by virtue of owning the stock or controlling the directors? A. No.

Q. It does not depend at all upon the fact that you own the stock? A. We do not own the stock; we own the plants; there is no concern to-day in which we own as you may say a majority of the stock; we never operate that way.

Q. Doesn't it depend upon the fact that the directors are favorable to your company? A. Which directors?

Q. The directors of the old companies, as I understand you to say? A. No; it is a matter of indifference to us whether the directors of the old companies are favorable or not.

By the Chairman.

Q. Don't your owning it or controlling it interpolate in your contract with these various concerns— A. We have no contracts except a manufacturing contract.

Q. But you have a contract which provides that if they can not manufacture at your prices they shall not manufacture at all? A. No, sir; we have a contract that if they can not manufacture at the competitive bid price we accept they can not manufacture.

Q. Isn't that the same thing? A. No, sir.

By Mr. Ainsworth.

Q. These competitive bids come from your own stockholders? A. No, sir; from the different mills.

Q. The different mills are your stockholders, aren't they? A. Some of them are and some are not; some have sold the stock.

Q. Your competitive bids is confined to your own stockholders practically, isn't it? A. No, sir; not necessarily, because some of them have sold the stock and some hold the stock.

Q. Do you mean stockholders of the Cordage company? A. Yes, sir; certainly.

Q. The stockholders of the Cordage company are stockholders of the old existing corporations, aren't they? A. I say that parties to whom stock was given at the time of purchase, some of them have sold their stock and some hold it.

Q. You kept yours? A. Yes, sir.

Q. And you know of some of the existing corporations at the time of your corporation that have sold their stock? A. Yes, sir.

Q. And do those corporations who have sold their stock still exist and maintain their plants? A. Yes, sir.

Q. And in those cases the stock has been divided among the stockholders of the old company? A. Yes, sir.

By Mr. Guenther.

Q. The fact is that some of these corporations that existed before the consolidation can run their works unless the National Cordage Company give their consent to them to run? A. No, sir; they can run if we accept — if they make the same price at which we accept the competitive bids.

Q. What is the object of this competitive bid? A. The reduction of the cost of manufacturing.

Q. And you control it upon the market afterwards, the National Cordage Company? A. Yes, sir.

By the Chairman.

Q. You are in absolute control of the market? A. Not always; we would like to get it.

By Mr. Ahearn.

Q. Isn't twenty-five per cent of your goods sold by Waterbury and Wall in the city of New York? A. No, sir; Waterbury has three houses over the country.

By Mr. Guenther.

Q. If you were to get entire control you would be willing to pay a fair percentage of tax to the State upon your personal property? A. We would be willing to pay it now just as much as then.

By Mr. Ahearn.

Q. You don't know whether Waterbury and Wall pay any tax? A. I do not.

Q. You people do not pay any personal tax? A. I do not think so.

By the Chairman.

Q. Waterbury & Co. and Wall are only agents? A. No, sir; they are a regularly authorized concern, with capital I suppose, the two companies together, of three or three and a half millions, operating their own business.

Q. Waterbury and Wall are stockholders in your company? A. Yes, sir.

Louis D. Clark, called as a witness, being duly sworn, testified as follows

By Mr. Hamilton.

Q. Where do you live? A. In East Orange, New Jersey.

Q. You are connected with the Standard Oil Company? A. Yes, sir.

Q. In what capacity? A. I am secretary of the Standard Oil Company in New York.

Q. And in what capacity are you related to the parent plant? A. There is no parent plant.

Q. To the central organization or the central combination? A. I know of no such central combination.

Q. Where is the office? A. Twenty-six Broadway.

Q. What other business is transacted at that office besides the business of the New York Standard Oil Company? A. The National Transit Company has an office there.

Q. What other business of any of the Standard Oil Companies or constituents of the old Standard Oil Trust are transacted there? A. The Standard Oil Trust or the liquidating trustees have a transfer office there, I believe.

Q. Are you in their employ also? A. No, sir.

Q. Are your duties solely confined to the duties of secretary of the New York company? A. I am also secretary of some other companies.

Q. Which companies were formerly members of the Standard Oil Trust? A. They were not members of the Standard Oil Trust; their stock was owned by the Standard Oil Company.

Q. But they were connected with the Standard Oil Trust? A. Only in that way.

Q. I do not care in what way; but they were connected with it? A. As companies they had no connection with it; no sir.

Q. They are members of it? A. No, sir.

Q. They sold their product to it? A. No, sir.

Q. In what way were they connected with it? A. I say they were not connected with the Standard Oil Trust.

Q. In what way did they deal with the Standard Oil Trust? A. They had no dealings with them as corporations.

Q. When was the Standard Oil Trust dissolved? A. Last March.

Q. What was it composed of? A. It was composed of a board of nine trustees.

Q. What did these trustees own or hold? A. They held the stocks of various corporations.

Q. Which of the corporations are now transacting business which your board of trustees represented? A. The Standard Oil Company in New York.

Q. Which others? A. There are no others transacting business there.

Q. What is the stock of the Standard Oil Company of New York? A. Seven millions.

Q. That is organized under the laws of the State of New York, isn't it? A. Yes, sir.

Q. With its real estate situated where? A. Some in New York city, some Long Island City, Brooklyn, Buffalo, Olean, Oswego, various points throughout the State and in New England.

Q. Your companies pay its corporate tax under the act of 1880-1? A. No, sir; as a manufacturing company it pays no corporate tax.

Q. What is its annual output? A. I could not say.

Q. Can you give it to us for any year of the past ten? A. I could not.

Q. What amount of tax is paid by this company on personal property in the State of New York? A. That I could not answer intelligently for the reason that the company has increased within the last year, and it has not as yet paid the tax; since the dissolution of the trust there has been a consolidation of a number of companies.

Q. When was this consolidation entered into? A. Last April.

Q. How many companies were embraced in that consolidation? A. Half a dozen.

Q. Were they all New York corporations prior to the time they were merged into one? A. All but two of them were; there were two from New England.

By Mr. Guenther.

Q. At the time of your consolidation in the State of New York, was stock issued to those connected with the Standard Oil Company? A. I do not quite understand you.

Q. All the stock at the time of your consolidation was held by whom; by New Yorkers? A. The stock of the Standard Oil Company in New York?

Q. Yes; at the time you incorporated or consolidated with 7,000,000 capital? A. Previous to that time, do you mean?

Q. At that time? A. It was held partly by the trustees of the Standard Oil Company and partly by individuals.

Q. At the time of your consolidation and incorporation in this State did you pay an incorporation tax on the 7,000,000? A. Yes; we had paid on 5,000,000, the original capital of the company when it was organized in 1893, and we paid on the increased 2,000,000 at the time of the consolidation.

Q. I understood you to testify that you were incorporated in this State? A. Yes, sir.

By Mr. Ainsworth.

Q. You say your consolidation took effect last April? A. Yes, sir.

Q. Do you know what assessment was made in July upon the personal property of the Standard Oil Company in New York? A. The assessment on the Standard Oil Company at that time was made on the old company prior to the consolidation, which was on $600,000.

Q. That would include the personal property you had at Olean, Buffalo, Oswego, etc.? A. No, sir; it would not.

Q. Were they not different properties of the old company? A. No, sir; they were, but they did not come into the tax year; the assessment made in July was on the personal property as it existed on the second Monday of January which was prior to the consolidation.

Q. And prior to the consolidation, the Oswego works up there were a part of your — A. They were a separate organization, the Oswego Manufacturing Company.

Q. And that organization was merged into this and it ceased to exist as a separate corporation? A. Yes, sir.

Q. And the Oswego Manufacturing Company became stockholders in the Standard Oil Company at that time? A. They did for the time being.

Q. And now? A. No, sir; the stock was distributed among the stockholders; the stock they received from the Standard Oil Company in New York.

Q. The amount of stock issued to that corporation represented your estimate of its value? A. Yes, sir.

Q. Its personal property will hereafter be assessed here being located here? A. Yes, sir; it is a part of the personal property and will come in New York.

By Mr. Guenther.

Q. You have no connection with any other company outside of the State? A. Do you mean the Standard Oil Company in New York or myself?

Q. I mean the Standard Oil Company in New York? A. No, sir.

By Mr. Ainsworth.

Q. You saw fit to organize under the laws of the State of New York; did you take in consideration the advantages to be derived from organizing outside of the State? A. I presume that was considered at the time; I had nothing to do with it.

Q. Do you consider the tax which the State of New York now imposes upon corporations organized within the State burdensome? A. That is a matter which I do not feel competent to express an opinion; it does not bear on us as a corporation, because as a manufacturing corporation we are exempt.

Q. But the organization tax you find no fault with? A. It is larger than we have to pay in other States.

By Mr. Guenther.

Q. Don't you think a manufacturing corporation ought to pay a tax as well as any other corporation? A. No, sir; I do not think it should.

Q. You have protection to your property by the State? A. We pay a local tax.

Q. Don't other corporations do the same? A. Yes, sir; but we manufacturing corporations disburse more money in the State and bring more wealth in to the State than a business corporation does.

By Mr. Ainsworth.

Q. You make a distinction between a corporation which obtains a valuable franchise and a manufacturing corporation? A. Yes, sir.

Q. Take your corporation; when your tax will be adjusted next year upon the amount of personal property, it is upon the basis of the property you held in January; how is that arrived at by the authorities; do you make a statement? A. We make a statement to them of the amount of our assets and liabilities and the assessed valuation of our real estate.

Q. That don't apply to the assessed valuation of real estate in other places; that would be subject to local tax there; but you furnish them with a statement of your assets and liabilities as a corporation? A. Yes, sir.

Q. And is that verified by you? A. Yes, sir.

Q. And that is the basis of taxation? A. Yes, sir.

By Mr. Hamilton.

Q. Deducting from that the assessed valuation of the real estate; in order to arrive at the value of the personal property they deduct from the entire assets the assessed valuation of the real estate? A. Yes, sir.

By Mr. Quenther.

Q. Will you state to the committee in what manner a manufacturing corporation is of more benefit to the State than a business corporation, and why they should be exempt from taxation and others not, receiving the same protection the other corporations receive, they contributing to the expense of the State and you do not? A. Because we employ a great deal of labor; and we also pay a larger real estate tax than a business corporation.

Q. Can you give us any other reason? A. No; I think not.

By Mr. Ainsworth.

Q. You make this distinction that any person can engage in a manufacturing business without the aid of the State while he

can not run a railroad without invoking the right of eminent domain? A. Yes, sir.

William H. Butler, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you live? A. In New York.

Q. And you are connected with the American Tobacco Company? A. Yes, sir.

Q. In what capacity? A. Secretary.

Q. When was the American Tobacco Company organized? A. In January, 1890.

Q. And under the laws of the State of New Jersey? A. Yes, sir.

Q. Its capital stock is? A. Thirty-five millions.

Q. It has an office in the city of New York? A. Yes, sir.

Q. Its principal business office? A. No, sir; its principal business office is in Newark, N. J.

Q. Where is the New York office located? A. Forty-five Broadway.

Q. What business is carried on at 45 Broadway? A. Executive business.

Q. What business is carried on at the New Jersey office? A. Corporation business.

Q. The transfer of stock and the like is carried on in New Jersey, but the actual management and control of the business is exercised in the New York office, the executive part of it? A. Yes, sir.

Q. Are its officers chiefly residents of the State of New York? A. No; some are residents of the State of New Jersey, some in New York and some in Virginia.

Q. What causes led to the organization of this corporation under the laws of the State of New Jersey, if you know? A. When we were organized in 1890, we were informed that the laws of New York were in somewhat of a chaotic state, and we were advised by counsel to organize under the laws of New Jersey.

Q. What do you say as to the laws at present existing in the State of New York? A. I think they are very much improved; in fact, if we were to organize to-day we would organize under the laws of the State of New York.

By Mr. Guenther.

Q. Where have you got your office in New Jersey? A. Eight hundred and two Broad street, Newark, N. J.

Q. The only object of having that office is for the reason that the law under which you are incorporated stipulates that you shall have an office in New Jersey at which your directors meet annually? A. Yes, sir.

Q. And that is about the only purpose of that office? A. It is for general corporation purposes.

Q. Do you pay any tax upon personal property in the State of New York? A. Yes, sir.

Q. How much? A. That I could not say; we pay it in New York city and Rochester, where we have factories.

By Mr. Malby.

Q. The real estate tax and personal tax you pay in these various places where you manufacture? A. Both.

Q. Was this company formed by the consolidation of other companies? A. Yes, sir; it was formed by buying out other corporations, firms and individuals.

Q. And is your business confined to manufacturing and selling tobacco? A. Yes, sir.

Q. You run your various branch manufacturing establishments yourself? A. Yes, sir.

Q. You have no such arrangement as the National Cordage Company appears to have? A. No, sir.

By Mr. Ahearn.

Q. Where is your factory located? A. We have one at Rochester and two in New York city.

Q. Do you pay a personal tax in the city of New York? A. Yes, sir.

Q. How much? A. I could not say.

By Mr. Guenther.

Q. How many factories have you in New Jersey? A. None at present.

By Mr. Malby.

Q. Does your company control the manufacture and sale of tobacco in the United States? A. No, sir; not by any means.

Q. What proportion of the business do you do? A. I could not say; it is a small proportion; I can give you an idea; we do between twenty-five and thirty millions of pounds of tobacco; and I can name one factory in St. Louis that does 25,000,000, and there are a number just like that; Lorillard, for instance, does 20,000,000.

Q. Have you any business relations with either one of those corporations? A. No, sir.

Q. How is it in the State of New York; what proportion of the business do you do here in the State of New York? A. I could not say; a small proportion.

Q. What amount of dividends have you been able to declare upon your stock? A. Eight per cent on the preferred and twelve per cent on the common.

Q. Do you know what your stock is selling at? A. From 107 to 110, I think.

Q. Where does your president and vice-president live? A. The president lives in New York; the first vice-president in Richmond, Virginia; the second vice-president at Rochester; the third vice-president at Baltimore.

Q. Your secretary and treasurer? A. The secretary lives in New York; the treasurer lives in New York.

Q. The majority of your directors, are they New Yorkers? A. No, sir; they are from various places.

John Rhodes, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. You are a resident of this city? A. I am.

Q. And you are president of the Union Savings Bank of this city? A. The Greenwich Savings Bank.

Q. Located where? A. On the corner of Sixth avenue and Sixteenth street.

Q. With deposits amounting to? A. Twenty-five millions.

Q. How long have you been connected with savings bank systems? A. Since I was 24 years of age, as a trustee of savings bank.

Q. How long have you been president of the Greenwich Bank? A. I think I became president in 1879.

Q. You have given attention to the suggestion that has been made in regard to the taxation of savings bank deposits? A. I have.

Q. Will you favor the committee with your view in regard to that as to whether the effect would be a favorable one or the contrary? A. I am perfectly willing to do so; I might say at the beginning that, personally, I am opposed to the question of personal taxation, and of course to put a tax on the deposits in savings banks is really personal taxation; I think that is a wrong principle, and especially when the people who are taxed come from the poorer and the working classes; then, again, a savings bank, it must be borne in mind, is a benevolent institution; there is no capital; there is no benefit to be derived by any of the stockholders; it is simply an institution in which these trustees are appointed for the purpose of taking care of these savings as they come in, limiting the deposits of each individual to $3,000; the great mass of these deposits are made up from the savings of the poor people; I will frankly admit that, of course, some little money comes into the banks, perhaps, from a class of people who ought to pay a tax, but even in those cases a majority of them come from wages and savings; again, take a State like New York State, and there are a great many people who go on accumulate a few thou-

sand dollars and die leaving perhaps $5,000 or $7,000; these people are entirely incompetent to take care of this money; they don't know who to trust; they don't know what to put it into, and they distribute it through the savings banks and they come regularly every six months to draw their interest; that class of people are entitled to protection as far as a tax is concerned; the idea of taxation is to throw a burden upon those who are least able to bear it; so, I think, the reason that has been advanced in that direction has no good foundation; that is my own judgment; then back of that again is the fact that all of this money in savings bank is already subject to taxation in theory; every individual is subject to taxation, a personal tax, and to tax deposits in a savings bank — you can not tax the bank because there is no capital, and there is nothing to tax; we are simply the custodians for these people; and, therefore, no tax in this way is practical; then back of that is the fact that the State very wisely surrounds all the investments in a savings bank; I should say puts a great deal of protection around a savings bank in this State; I have been trying for five years to get the scope extended because I think it is absolutely needed; but the result is that we are obliged to invest our money for these people at low rates of interest; the average rate of interest so far as New York State — rather Brooklyn and New York city is concerned — in the interior of the State it would be perhaps a little better with the loans on farm property — but the average earnings of the savings bank to-day on investments is three and one-half per cent; and that is what we pay to our depositors; the surplus that we gather is provided by law simply as a protection, so that in case of any loss, the declining of securities, or anything of that kind, these depositors may at all times realize and feel that they can get back 100 cents on the dollar for every dollar they put on the bank; therefore the moment you tax you immediately reduce the ability of the bank to earn this money; then, what is the result of that; the result of that is to discourage the depositor, and you leave those who are intelligent and are anxious and want to get on and who need their income to secure investments elsewhere, and they are lured into all sorts of things; for instance,

take these building and loan associations, which in some respects are good in principle, yet there has been a great deal of money put into these associations, and there is a great deal of money going to be lost in them; take all these western farm mortgage companies; the tenement-houses are flooded at times with prospectuses of all sorts and kinds urging these people to take their money out of the banks were they only get three and one-half per cent and send it out of the State where we give you six per cent; and the difference in the interest is taken by the men who manage your money; and the tendency of course is to get that money out of the bank; our theory is to keep the money, as far as possible, within the State; their theory is to give these poor people in return for their deposits sufficient to induce them all the time to increase them; now, the result has been in this State at the present time that our savings bank system which was reorganized some fifteen or twenty years ago, that is under the general system and undoubtedly under the wisest laws of any State in the Union, that the savings bank had gone on increasing until to-day there is $600,000,000 invested in the savings banks in this State; and it seems to me a bad principle to tax these people; I am thoroughly in favor with taxation, but I think we should tax properly; I think our laws are very crude; I believe this question of personal taxation as applied to savings banks — I think your people would get the benefit of it anyway if you take off the personal taxation of the property in the city of New York the bonds and mortgages of which the banks, certainly in these large cities, hold something like half of their assets, the rate of interest on these bonds would go down half a per cent the very moment that incubus was removed, so that people could feel they could take and hold bonds and mortgages and not be liable for personal taxation, the rate of interest would go down at once; it would benefit the mass of people; there is no question about it at all; it was said how about the surplus in these savings banks; we can earn three and a half per cent including the surplus to-day; that is to say, if we have a surplus, the interest on the surplus goes towards the running expenses of the bank, so we can pay our depositors three and one-half per cent.

By Mr. Ainsworth.

Q. What is the surplus of your bank? A. Two millions and a half.

Q. What is the average amount of your deposits? A. If I remember right, about $430.

Q. Do you know the rate of expense of keeping an account in your bank? A. I think the expenses of our bank are something like $60,000 or $70,000 a year as against 25,000,000 deposit, whatever the percentage would be; it is very small; I have seen it but have forgotten.

By Mr. Malby.

Q. Who owns the surplus? A. I have been often asked that question, and have never been able to answer it satisfactorily; you have got to take a plausible case, which is not plausible; that is to say, suppose the State of New York should pass a law forbidding the continuation of a savings bank; now, comes the question you have got a surplus of 2,500,000 which does not belong to the trustees, and it does not belong to the depositors, or those in the bank, because you must remember that these deposits change every five years; the total volume of our deposits are drawn out every five years; I do not mean to say every deposit, but there are 5,000,000 drawn out of our bank every year and in five years there are 25,000,000 which is the sum total of our deposits; it does not belong to the depositors nor the trustees, and I have always supposed that the State would lay claim to it under such a case.

By Mr. Malby.

Q. Why wouldn't it be fair to tax the surplus? A. The answer I make is this: The small return on the investments allowed by law to a savings bank — we need every dollar we can get out of our surplus to pay the amount of interest we are paying to depositors at the present time.

Q. Don't you pay the running expenses by the difference between the rate of interest which you pay depositors and that which you receive; doesn't that pay the running expenses? A. It would

with our bank, but it would not with banks generally through the State; it would with a few large banks, but that is lessening as these old securities mature; all of our new investments are made on the low basis; we are investing on bond and mortgage at four and a half and buy city bonds at three per cent.

Q. You say you think the rate of interest would probably decrease if the taxes were wholly removed from personal property? A. Yes; on mortgages.

Q. Isn't it your opinion also that if the taxes were less on real estate the rentals would go down? A. No, sir; because you must raise your taxation; perhaps I do not understand you.

Q. I understood you to say that if you relieved personal property from taxation money would become plenty and the rate of interest go down; that would be the natural effect if the tax were removed from real estate, wouldn't it? A. No; I said that if you removed personal taxation the rate of interest on bonds and mortgages would go down, because bonds and mortgages are now subject to taxation.

By Mr. Guenther.

Q. Does your bank pay anything on the bonds and mortgages held by it? A. We do not; we are exempt.

Q. It would not make any difference to you then whether that was removed? A. Not as far as the bank is concerned, except this, that it would lessen our ability to earn; we are carrying in our bank 12,000,000 of bond and mortgage loans, and the average is four and one-half per cent; if you take off the liability for personal taxes as applying to mortgages, in my judgment, it would not be a year before the rate of interest on these loans would drop four per cent; in other words there would be such a demand for investment on bond and mortgage owing to freedom from taxation that the whole rate would drop half a point, and our bank instead of getting four and one-half would only get four per cent on mortgage loans.

Q. What effect would it have to put all the tax on real property? A. I don't think it would affect it at all; it would soon

adjust itself to that; I have always believed myself — this is only my personal opinion — that the tax should be raised from real estate; that can not escape; it is a fixture; and it ought to be raised on corporate property, not making it too burdensome.

Q. Isn't it a fact that the surplus in all savings banks belongs to the depositor under the law of the State of New York? A. No; I don't think it does; it belongs to them in one sense; let me put the question this way, suppose our surplus being two and a half millions we should turn around and pass a resolution to pay our depositors ten per cent; my impression is that the banking authorities would come down upon us at once.

Q. Can you tell me in what manner the surplus is of any benefit to the depositors? A. Yes; it is a benefit in two ways; in the first place the interest upon the surplus helps pay the running expenses of the bank and helps us to pay him a small percentage on his deposit.

Q. Let me interrupt you; do you know of any bank in this State where they have a surplus of $25,000, and in another where they have two millions and a half, that the depositor in your bank gets any greater interest than where they have a surplus of 25,000? Yes; in some cases; for instance, let me show you the way it works; we pay our depositors three and one-half per cent, and another bank will pay their depositors four per cent, and its ability to pay this different rate is dependent upon its actual net earnings after paying expenses; the greater liberty you give it to make these net earnings larger the better ability it has to pay a larger interest.

Q. Banks in any city that have not got the surplus you have pay four per cent? A. The reason we do not pay four per cent is this, that we found our deposits were increasing steadily, and we found the rate of interest was going lower all the time, and we feel that the day will come when our ability to create the needed surplus would practically pass out of existence; our ability to earn four per cent lies in the fact that we have got old securities which are running to 1902 or 1903; these old securities, the interest on them, do not practically belong to the depositors of

to-day, because the depositors that deposited them, or the great mass of them, at the time when these moneys are invested have drawn their money out, and there are new depositors now, and they are not entitled to that interest; therefore it is time for us now to increase our surplus and save it while we still have the ability to do it, and we pay three and a half per cent instead of four.

By Mr. Ahearn.

Q. Are you in favor of the bill now pending in the Legislature giving savings banks the right to extend their scope of investment outside of the State? A. Yes.

Q. Why? A. I will state it as briefly as I can; one is to increase the earning capacity, by giving us an opportunity to invest our moneys which we have not got under existing laws; when this law was created limiting our investments to United States government bonds, State bonds, city bonds — bonds and mortgages remained the same — only these three classes of securities could we invest in outside of bonds and mortgages — was something like 2,500,000,000; the volume of it has decreased until it is now less than 1,000,000,000; so you see that while we have been growing we still retain these narrow limits; in addition to that the State bonds are gradually going out, the cities and States are getting out of debt; on top of that was the fact that in 1907 this government debt became due, and the question was is it wise to put so large a percentage of our assets in a few securities; therefore we realized five or six years ago that there must be something done, we must not only have an additional field for investment, but in addition to that we must have opportunities to secure our risks; we must go somewhere where we can get absolute security.

By Mr. Guenther.

Q. Taking your bank, why is it you can not pay a fair tax to the State for the protection you have in view of the fact of having 2,500,000 that concededly, according to your statement,

belongs to no one? A. My answer is what I have said before; that the moment you place a tax upon a savings bank —

Q. On the surplus? A. Well, a tax upon the surplus is less objectionable; if you do put on a tax you only lessen the ability of a savings bank to pay the rate of interest they are already paying to a depositor; my objection to it is that it is a personal tax, because it is not a tax against a corporation; it is a personal tax against individuals upon the poor people of the State.

Q. How could it be a tax upon the poor people of the State when the poor people of the State were never known in any instance to get any benefit of the surplus held by any State bank? A. He has no right to it; the law provides, the savings bank law —

Q. Can you refer me to that law that says a depositor is not entitled to the surplus of a savings bank? A. There is nothing in the law; the law directs distinctly that the banks shall accumulate a surplus, such sum as they deem proper, for the specific purpose of forming a fund for the protection of a depositor.

Q. What would you think of a law of this kind that every savings bank in this State having a surplus over a certain sum shall pay in proportion a tax upon the surplus in addition to that amount, say $50,000? A. I say this, that if the Legislature want to put a tax in this way upon the savings of the mass of poor people, I have no objections to it; it is nothing to me.

Q. How is it the savings of the mass of the poor people? A. It is part of it.

Q. They never get any benefit of it? A. Yes; they do in the earnings.

Q. You have a surplus of two millions and a half and pay three and one-half per cent interest; the Senator to the right replies that he knows a savings bank that has $25,000 and pays four per cent; that shows the surplus has nothing to do with it? A. Yes; it does.

By Mr. Hamilton.

Q. Theoretically it has, but practically none? A. The Bowery Savings Bank are paying four per cent, because they think they

have got surplus enough; they have been paying that four or five years.

Q. You said that to tax the surplus would be to tax the poor people; you said, furthermore, you are opposed to taxing personal property; it would naturally come back then to taxing the real estate? A. You do it now, and you should.

Q. But if you take the tax now on personal property off there would be an additional burden on real estate? A. Yes; that should be raised.

Q. Isn't it true that it is the poor people who are going to suffer by it by putting an additional tax on real estate? A. No, sir; I don't see why; I should not confine it to real estate; the reason I object to a personal tax is this: You can not tax a thing which is movable and which can get away; real estate you can tax; you can tax a city railroad, and they should be taxed because they have got their rails down and they are doing business in the streets; you can put a license tax upon a business house, because they have got to do business where they are located, and they can not get away from it; but when you come to tax personal property, a man with a knowledge of the business world either invests it in such a way that he is not liable or invests it in some corporate property or some other business where you can not tax him; take the street to-day; there is no tax put upon Wall street; you can not reach them; the personal tax is all right if you could only collect it, but as it is it results in an injustice, and the widow and orphan pays it.

Q. What I am trying to get at is this: You said that you were opposed to a personal tax because it falls upon the poor people, and on that theory you are opposed to taxing banks; for that very reason you could not be in favor of putting the tax entirely on personal property, because the ultimate result of that tax falls really on the poor man; the tax would have to be raised, and it would have to be increased upon the real estate in order to make up what was lost by taking it off the personal? A. No; I should tax corporate property as I have already indicated; I should put

a license tax upon business; I do not see why there should not be a license tax upon a partnership business.

Q. The trouble is that every time we have one interest here they want to put the tax upon some other interest; they all want to escape? A. They want to escape if they can; but they all agree to this, that the attempt to tax personal property is a failure, and that the burden rests entirely upon the widow and orphan; it is the estate that can not escape; it is the trustee that can not escape; it is the poor woman who can not get away from it.

Q. Why not take up the listing system? A. As to the listing system there is simply this to say, that it is so obnoxious that the people themselves would not stand it; they would not submit; what would you think of a listing system by which you were compelled to reveal all the secrets of your own means and swear to it?

Q. As far as real estate is concerned you are compelled to reveal that? A. No; you are not.

Q. If I buy a piece of property with a mortgage on, the mortgage goes on record? A. Yes; the mortgage does.

Q. And that reveals the indebtedness? A. But when it comes to a listing system that is different; you remember how unpopular that was in the war, and to-day the listing system would be one of the most unpopular measures.

By the Chairman.

Q. You do not think that you can make people honest by the operation of law? A. No; you can not do it; if you collect your taxes you have got to collect them by natural processes, and that is collecting them from places that can not get away.

Q. The law to be operative must have, as matter of fact, the support of the people? A. I think so; the lying and corruption through a listing system would be awful.

By Mr. Guenther.

Q. What do you think of the plan in Switzerland that after the death of a person it is discovered he has made false statements so far as his property is concerned that all the property

then goes to the government; would that be an inducement for men to be honest? A. It might do for Switzerland but not for America.

By Mr. Ahearn.

Q. Do you know any savings bank in the city of New York that during the past five years has increased the rate of interest? A. No, sir; they are not able to increase the rate of interest; yes, there are several banks here that have gone from three and a half to four per cent.

Q. What are they? A. I think the New York Savings Bank; the Bowery; the Bleecker; the Seaman's, and it is our hope to do the same.

Q. Inside of five years is that? A. Yes, sir; the Seaman's pay four per cent on sums up to $500, and three and a half per cent on sums less; we should have done it if it had not been that we felt the necessity of accumulating a surplus out of our old securities.

By Mr. Guenther.

Q. What would you think of taxing a foreign corporation incorporated in another State and doing business in this State equal to that of a corporation that is incorporated in this State? A. I should endeavor, as far as the law would allow me, to make them pay their taxation.

Q. You think that would be fair? A. I think so.

Q. And you think a manufacturing corporation ought to pay its proportionate share of the tax? A. I think so.

By the Chairman.

Q. Have you given any thought to the subject of taxing -- to what is called the collateral or direct inheritance tax? A. Well, only in this way, that I think it is wrong; I think it is an attempt to make posterity pay for what the individual should be made to pay; under wise taxation laws you can reach the mass of the community and they will pay the tax, but after a man

is dead to tax those that follow after him for his sins of omission I think is morally wrong.

By Mr. Malby.

Q. But they do not do that according to the decisions of the court; as I understand it they hold distinctly that a man's posterity had no legal right to his estate except under the statute, no common law right.

The Chairman.— The State could take it all, in other words.

Mr. Hamilton.— It is not justified by way of retaliation at all under the law; it is simply unlawful.

The witness.— Theoretically that is true; still the fact remains that they have to pay it; that is about the amount of it.

By Mr. Malby.

Q. What is the total bank surplus in this State, do you know? A. About 50,000,000 all through the State.

Charles S. Shivler, called as a witness, being duly sworn, testified as follows:

By Mr. Hamilton.

Q. Where do you live? A. Brooklyn.

Q. You are connected with the American District Telegraph Company? A. Yes, sir.

Q. In what capacity? A. Secretary and treasurer.

Q. That company is organized under the laws of the State of New York? A. Yes, sir.

Q. What is its capital stock at present? A. Four million dollars.

Q. Its principal office for the transaction of business is located where? A. New York city.

Q. What taxes upon personal property are paid by the American District Telegraph Company to this State? A. I could not tell you the amount exactly; I do not remember; we pay, I think, about $2,000 a year altogether in taxes.

Q. That is the total tax, about $2,000 a year? A. That was the amount previous to the increase of capital stock which took place last year.

Q. What was the amount of that increase? A. One million dollars.

Q. From three to four? A. Yes, sir.

Q. Was your total contribution for franchise and for the various privileges you held under this State on your charter the $2,000 upon a capitalization of what was 3,000,000 and is at present 4,000,000? A. Yes; we were paying as near as I remember about $2,000 a year when the capital stock was 3,000,000.

Q. In that $2,000, do you include also the taxes paid upon real estate owned by the company? A. The company has no real estate.

By Mr. Malby.

Q. What is the rate of taxation; can you tell us? A. I don't remember.

Q. In paying $2,000 you pay about two per cent on $100? A. Yes, sir.

Q. Do you pay any tax on your capital stock? A. Yes, sir; that is included in the amount I stated.

Q. Do you pay anything on your dividends; any tax? A. As I understand it the tax we pay is a payment which is based upon the amount, on the estimated value of the capital stock; we make a report yearly of the dividends paid and we make an estimate of the value of the capital stock.

Q. What is the value of your stock, that is, what is it selling for? A. I think about fifty-seven.

Q. How much are your dividends? A. Last year we paid two and one-half per cent.

Q. And was last year more or less than the previous year? A. It was a little more; two years before I think we paid two per cent.

Q. Is there any other telegraph company organized under the State of New York except your own; how about the Western Union; is that a New York State corporation? A. I think not; I am not sure about that.

Q. Of course, you pay a tax on your property in the localities where it is located? A. Yes, sir.

Q. Its lines and poles and so forth? A. The company which I represent has no connection with companies of the same name in other States outside of New York; there are several American district telegraph companies, but they are separate organizations.

Q. But all under one organization? A. No, sir; they are entirely distinct and separate.

Q. These taxes, which you pay, the amount, does that include the taxes levied to others by the different localities through which your lines pass? A. Our lines exist only in the State of New York; while there are American district telegraph companies in other States they are entirely independent of ours.

The committee then went into executive session.

UNIVERSITY OF ILLINOIS-URBANA
3 0112 064706598